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# ***JPRS Report***

# **China**

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# China

JPRS-CAR-88-023

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## GENERAL

**SHIJIE ZHISHI Analyzes U.S.-Soviet Relations**  
40050141 Beijing SHIJIE ZHISHI [WORLD  
AFFAIRS] in Chinese No 2, 16 Jan 88 pp 4-5

[Article by Jin Wen [7246 2429]: "Prudence and Limited Optimism"]

[Text] In history—tension alternated with detente, but the former was prolonged, the latter, temporary;

At present—new factors have surfaced, but the essence of contention remains unchanged;

Conclusion—only limited detente is possible.

U.S. and Soviet leaders finally met in Washington and signed the IBM Treaty. This is a great event. It has led to further discussions on whether U.S.-Soviet relations will develop in the direction of detente, limited detente, or tension. I would like to share my humble opinions with you on this issue:

### Drawing Lessons From History

History is like a mirror. We can get inspiration for the future by looking back on the history of U.S.-Soviet relations in the past 40 years or so since the World War II.

During the first 10 years after the war, U.S.-Soviet relation was tense. It was the cold war period. The two sides formed two major military alliances—NATO and the Warsaw Pact—and began a serious confrontation in Europe. At that time, many people believed that the World War III was about to happen. After Khrushchev came into power, the Soviet Union readjusted its foreign policy to seek detente. Khrushchev made the famous statement that "it is not impossible to avoid world war." This period of U.S.-Soviet relation was called "thaw." But, after the "Berlin Wall" went up in August 1961 and the Cuban Missile Crisis broke out in September 1962, U.S.-Soviet relations suddenly became so tense that a military conflict seemed unavoidable. The tension continued for a whole decade after that. In the first half of the 1970's, U.S.-Soviet relation changed again. Nixon and Brezhnev exchanged visits and signed the SALT I agreement. This period in U.S. Soviet relations was called "detente." But, it did not last long. In December 1974, the U.S. Congress passed an amendment proposed by Senator Henry Jackson (which linked the issue of granting the Soviet Union most favored nation status to that of how Jews were treated in the Soviet Union), indicating a decline in the development of detente. And the Soviet invasion of Afghanistan in 1979 indicated the bankruptcy of U.S.-Soviet detente. In the early 1980's, Reagan adopted a tough Soviet policy, advocating the strategy of "limited push-back," causing U.S.-Soviet relations to tense up. After Gorbachev came to power in 1985, considering their global strategies and needs for

each other, the two sides changed their relationship from confrontation and no talking to confrontation and talking. After several years of tortuous negotiations, they finally held today's summit meeting and signed the INF Treaty.

In my opinion, U.S.-Soviet relations in the past 40 years or so has three basic characteristics. First, U.S.-Soviet relations were not a continuation of tension or detente. It was the development of tension alternated with detente. Second, during tensions, the relation tended to ease up to avoid military conflicts; during detente, it often tensed up. For instance, in the events of blocking the Berlin passage and the Cuban Missile Crisis, both Stalin and Khrushchev were practicing brinksmanship, and when they reached the brink of war, they quickly turned to seek compromise. For another instance, during the high tide of detente in the 1970's, when the Middle East war broke out in 1973, Brezhnev threatened to dispatch troops and Nixon issued a global U.S. military alert, causing another phase of tension in U.S.-Soviet relations. Third, there was more tension than detente. The former was essential; the latter, conditional and vulnerable.

### Three Restricting Factors

The above characteristics of U.S.-Soviet relation are due to three interacting factors.

First, both sides fear head-on collision and causing mutual destruction. Both the United States and the Soviet Union have the ability to "over kill." In this nuclear age, if their relations are so tense that a war breaks out, then neither side will win. The West likens this kind of U.S.-Soviet relation to "two scorpions in a bottle" which can either live or die together. Recently, a U.S. TV station reviewed the experiences and lessons of the Cuban Missile Crisis. This station described the extreme tension of U.S.-Soviet relation at that time. McNamara, then U.S. defense secretary said to the reporters, "gazing into the sunset of America, I wonder if I can survive this weekend." Soviet sources said that the atmosphere at the Kremlin was very tense too. Khrushchev seriously warned the Soviet military not to take any unapproved action. But, this explosive conflict was finally reconciled as Khrushchev agreed to retreat.

Second, the basic interests of the United States and the Soviet Union are opposed and their political suspicion, deep-rooted. This is why tension in U.S.-Soviet relations is essential and why their confrontation appears to be constant and compromise, temporary. Even during the "thaw" period of U.S.-Soviet relations, the 21st Soviet Communist Party Congress still reiterated that the United States was the source of war. Nixon also said, "detente has its limitation" and "the Soviet Union always acts in its own interests, so does the United States, and detente cannot change this situation."



Third, due to the restrictions of internal and external factors, neither tension nor detente of U.S.-Soviet relation will go to the extreme. As far as internal factors are concerned, the alternation between two major trends of thought—conservative and liberal—the exchange of power between two major political parties—Republican and Democratic—and the general election, which is held every 4 years, all have great impact on U.S. policy toward the Soviet Union. Take the Reagan administration for example. The tough policy on the Soviet Union the administration adopted during its early years had a lot to do with the fact that conservative thinking was prevailing at home at that time, and the recent detente policy on the Soviet Union is related to the fact that Reagan himself wants to be remembered as a "peaceful president" in history and that the Republican Party wants to win next year's general election. The Soviet Union is currently seeking detente toward the United States. Judged by external factors, this is because of the multipolarization of the world.

#### New Factors and New Developments

Since Gorbachev assumed power, two new factors have appeared in U.S.-Soviet relations. One is that Gorbachev advanced a series of "new ideas" on foreign relations and according to which the Soviet Union began to consider the readjustment of its foreign policies. The other is that the United States is in an economic and political predicament. Economically, it suffers from prolonged, huge financial and foreign trade deficits; politically, Congress is controlled by Democrats, creating many restrictions to the Reagan administration; and Reagan's position has been seriously weakened by the "IranGate" affairs. These two new factors can be summarized into two phrases: Russians want detente and Americans have problems. It is under this new situation that many changes have occurred in U.S.-Soviet relations.

In regional conflicts, U.S.-Soviet contention has not stopped, but their approaches both have been readjusted. The "Reaganism" of the United States has somewhat quieted down. The Soviet expansion of influence in the Third World now relies mainly on diplomatic and economic means to avoid creating new "hot spots." The temperature of original "hot spots" is now dropping. On bilateral issues, both the United States and the Soviet Union have loosened up and maintained an appropriate atmosphere. U.S.-Soviet grain trade has made great progress and personnel and cultural exchanges have increased. Both sides have been low key in handling unexpected incidents such as the bugging of embassies to avoid the proliferation of incidents. The most obvious

development of detente is that through long-drawn-out negotiations, the two sides have finally held the summit meeting and signed the INF Treaty, which is the first nuclear arms reduction agreement reached between the United States and the Soviet Union.

#### What Course To Follow

The pendulum of U.S.-Soviet relation is swinging slowly toward detente. Some people are optimistic about this. Not long ago I discussed this issue with some American research personnel. With a cautious attitude, they said that we should not be too optimistic. Some even said that it is childish to think that U.S.-Soviet relations will develop substantially toward detente.

My opinions on this issue are as follows:

1. The new trends of development in current U.S.-Soviet relations are worth our attention, but neither have they changed nor can they change the basic law that governs U.S.-Soviet relations. Both the United States and the Soviet Union have maintained their long-term goals of contention such as space competition and contention for general superiority in national strength. Therefore, as long as the basic cause of U.S.-Soviet tensions exists, detente will be limited.

2. The development of U.S.-Soviet relation will alternate between tension and detente. Neither tension nor detente will last very long. Tension will not develop to such a degree as to cause the two sides to fail in avoiding a direct military conflict, and detente will not progress so well as to bring U.S.-Soviet relations back to the 1970's. The current limited detente may continue for a considerable period of time, but there will be ups and downs. During Reagans' term, U.S.-Soviet relations will not be too hot. After a new president takes office, it will take sometime for U.S. policy toward the Soviet Union to be readjusted.

3. U.S.-Soviet dialogues will increase but confrontation will still exist. The U.S.-Soviet arms race will continue, but focus will be shifted from quantity to quality. Both sides will focus on developing outerspace weapons, renewing nuclear weapons, and reinforcing conventional weapons; therefore, they may reach an agreement on the number of nuclear arms to be reduced, but it will be very difficult for them to make any deal in SDI. On the hot spot issue, the United States and the Soviet Union will emphasize restraint and may also reach some kind of compromise on individual issues if conditions permit.

### Rules For Filing Suit Against Administrative Organs

Chongqing GAIGE [REFORM] in Chinese No 1,  
10 Jan 88 pp 157-160

[Article by Jin Junyin [6855 0193 6892]: "Administrative Litigation—An Important Legal Guarantee To Prevent Power Abuse by State Organs"]

[Text] Question: We frequently find in real life that even though reforms have affirmed the position of producers of commodities in enterprises; nevertheless, producers frequently are subject to all sorts of unreasonable interference from higher authorities and from government units at all levels. Even though both the constitution and laws contain explicit regulations for protection of the legal rights of citizens and juridical persons; nevertheless, administrative organizations and government functionaries at all levels are able to exceed their authority and infringe rights at will. May I ask, what can be done to prevent the state as well as administrative organizations and government functionaries at all levels from abusing authority? In popular parlance, the question is: "Can the common people take legal action against the government on an equal basis? Can they be sure that a law suit will be fairly and equitably adjudicated?"

Answer: In the process of the country's reform and building of socialism, prevention of abuses of power by state organs at all levels is truly an important problem. In terms of the legal system, solution to this problem requires the building of an administrative litigation system.

Question: What is an administrative litigation system?

Answer: An administrative litigation system is a method whereby the courts decide administrative disputes; it is used as the highest form and the ultimate method for resolving administrative disputes. In order to understand the administrative litigation system, one must first understand what an administrative dispute is. An administrative dispute is a prerequisite for administrative litigation. Unless there is an administrative dispute, there is no way to talk about administrative litigation.

Question: In that case, what is administrative litigation?

Answer: We know that administration is a state-organized activity, and that administrative control is an activity whereby administrative organs at all levels represent the state in accordance with law in the organization, direction, coordination and supervision of matters relating to all aspects of society. Inasmuch as administrative control affects a wide area, covers numerous matters, and relates to complex situations, it is impossible for administrative organs to avoid this or that improper or illegal conduct in the process of exercising administrative control, thereby giving rise to all sorts of disputes. Generally speaking, administrative disputes may be characterized in the following several ways:

First, in terms of the main participants in the dispute, one of the two parties involved will necessarily be a state administrative organ such as a financial institution, a revenue office, an industrial and commercial administration and control organization, a price control body, a forestry organization, a health and epidemic prevention organ, a commodity inspection body, an environmental protection and control organization, the customs, a tobacco control organization, and a patent examination and approval body, etc. Unless one party is an administrative body, there can be no administrative dispute. However, a dispute to which an administrative organ is a party is not necessarily an administrative dispute. For example, a dispute about civil rights and interests that arises between a citizen or some other organization, body, or enterprise and an administrative organization that is acting in other than an official capacity is not an administrative dispute but a civil dispute.

Second, in terms of the origin of a dispute, an administrative dispute arises when a state administrative organ makes a decision in the exercise of its state administrative control functions and authority. This means when an administrative organ's administrative control action causes an administrative dispute. Without some administrative control action, there can be no administrative dispute. For example, unless there is some action on the part of a revenue organization in the collection of taxes, there can be no dispute about tax payments between tax bodies and those responsible for making tax deductions and payments or taxpayers who are responsible for submitting reports of their own accord. Disputes among citizens or among enterprises about civil rights and interests that are not occasioned by administrative control cannot be termed administrative disputes.

Third, in terms of the legal positions of the principal parties to the dispute, as the objects of administrative law, the position of the two parties to an administrative dispute is neither equal nor equivalent. One of the parties is a state administrative organ that occupies a commanding and dominant position at all times in administrative activity and that enjoys administrative control and authority to mete out administrative punishments or make administrative decisions affecting the adversary, while the other party is in a relatively passive, submissive and controlled position.

Fourth, in terms of matters covered by the dispute, the focus of the two parties to the dispute is on whether the specific decisions made in the course of exercising administrative control powers were correct and legal.

Question: What methods are available to solve administrative disputes?

Answer: In terms of the provisions of current administrative control laws and regulations, China has two methods for settling administrative disputes as follows: One is for the administrative control organization itself to settle the administrative dispute, which is termed an

administrative reconsideration system. By this is meant that a party (a citizen, juridical person, or other social entity) that is unwilling to abide by an administrative decision appeals to the organization at the next higher level above the administrative organ that was responsible for having made the administrative decision, the next higher administrative body conducting an investigation and rendering a final decision. The other method is resort to the people's courts to resolve administrative disputes, which is termed the administrative litigation system. This is a kind of litigation whereby a citizen or juridical person who is unwilling to abide by the administrative decision or other disposition made by a state administrative organ may, in accordance with the provisions of administrative control laws and regulations and within the prescribed length of time, request a people's court to examine and affirm the decision of the administrative organ. For a long time, administrative disputes in China have been handled by administrative organs applying administrative reconsideration procedures. Since administrative reconsideration means that administrative organs themselves resolve administrative disputes arising between their own system and an adversary, it is greatly limited, and there is a proneness toward bias, subjectivity, and partiality on the part of administrative personnel as well as interference from various extraneous factors that robs rulings of their impartiality. Even when administrative reconsideration decisions are extremely impartial, in the final analysis, it is administrative organs themselves that settle disputes between their own system and an administrative adversary; consequently, it is impossible to eradicate the suspicion that they are not impartial. In order to institute effective supervision and control over the administration and control activities of administrative organs, the "People's Republic of China Civil Litigation Law" was published on 8 March 1982 for trial implementation on 1 October of the same year. Article 3 of this law stipulates as follows: "The law provides that provisions of this law are to be applied to administrative cases tried by people's courts." Placing administrative dispute cases on the track of administrative litigation marks the beginning in putting China's modern administrative control under the legal system. Practice has shown that strict litigation procedures to solve administrative disputes by courts in the position of independent middlemen can prevent peremptory administrative behavior, and impartially protect the legal rights and interests of citizens, entrepreneurial units, organizations, and bodies, while at the same time giving full expression to the principle of ultimate solution by the judicature.

In short, administrative reconsideration and administrative litigation are two indispensable systems for solving administrative disputes. The administrative reconsideration system is a prerequisite and a foundation for the administrative litigation system; and the administrative litigation system is a supervisor and guarantor for the administrative reconsideration system. The combination of the two form China's complete system for solving administrative disputes.

Question: In what kinds of administrative disputes may citizens and juridical persons file administrative suits in courts?

Answer: The legislative system in all modern countries uses just two different systems, namely the summary type and the itemized type. In the former, the law sets a broad abstract standard. All administrative cases that are consistent with this standard may initiate legal proceedings. For example, Yugoslavia's "Administrative Disputes Code" provides that "Should an individual or a juridical person maintain that certain legal rights or personal legal interests have been infringed by an administrative document, he has the right to file an administrative law suit." In the latter, specific matters covered by individual laws or regulations are the standard for initiating legal proceedings. This is the method used today by countries such as Hungary. Inasmuch as the itemized type has the shortcomings of being diffuse, diverse, and difficult to implement, in litigation about administrative litigation in the countries of the world today, the general thrust is away from the itemized type to the more limited summary type.

The form of legislation that has been adopted in China today on the scope of administrative litigation is the summary type. In addition to the principles stipulated by Article 3, Section 2 of the Civil Litigation Code (Trial), an additional more than 100 administrative control laws and regulations set the limits of jurisdiction of people's courts in administrative cases.

The most important of these laws are as follows: 1) Laws promulgated by the NPC and its standing committee; 2) administrative laws and regulations formulated by the State Council that are based on the constitution and laws; 3) local laws and regulations formulated by the people's congresses and their standing committees in all provinces and cities under direct central government jurisdiction that do not conflict with the constitution and administrative laws and regulations; 4) regulations on the exercise of autonomy and specific regulations drawn up by people's congresses in national autonomous areas on the basis of local politics, economics, and culture. The area of their purview includes administrative control over food sanitation, control of pharmaceuticals, environmental protection, revenue collection, trademark patents, calculation of statistics, communications and transportation, customs foreign exchange, farm and forest water conservancy, mineral resources, labor disputes, capital construction, posts and telecommunications, and public order. With greater future codification of administrative control, laws and regulations in these regards will steadily increase.

In China today, administrative cases handled by people's courts may be divided into two kinds on the basis of the nature of administrative decisions. The first kind consists of cases in which a litigant is unwilling to submit to the penalties prescribed by a state administrative organ and brings suit in a people's court in accordance with



provisions of the law and regulations. The second kind consists of cases in which state administrative organs have made a decision in accordance with administrative control laws that denies certain rights to citizens or juridical persons (such as conferring or refusing to confer patent rights), or orders the litigant to assume certain obligations (such as payment of a certain amount of taxes), and the litigant is unwilling to submit and brings suit in a people's court.

When an administrative organ metes out administrative discipline to an administrative employee that the party concerned refuses to accept and appeals, administrative organs must resolve the problem, taking into account functions and powers, or supervisory relationships within the administrative unit. Disputes about functions and powers among administrative organs and challenges to decisions made about the delineation of administrative turf are to be solved jointly by higher authority; administrative suits may not be brought in such instances.

**Question:** When a citizen or a juridical person is unwilling to accept a penalty or a decision by an administrative organ in charge and files administrative suit in a people's court, what conditions must be met for the people's court to accept and hear the case?

**Answer:** The conditions are as follows:

First, a request for reconsideration must be made to the designated administrative organization that made the administrative decision, or to the party that refused to accept the decision of the administrative organization, a ruling being made after a higher level of the administrative organization has reconsidered and real benefits have been realized for the party concerned.

Second is when an administrative decision or ruling is in violation of the law or is improper. Here a decision "in violation of the law" means that an administrative organ should have accepted restraints set by law but made a decision that violated the law. This includes punishments not expressly provided by law; punishment based on laws or regulations that have naturally expired or have been abolished; punishments not within the purview of the administrative organ; punishments meted out under circumstances in which no punishment should be given or exemption from punishment should be granted; punishments that tend to be too light or too heavy within the terms prescribed by law; ordering a person to bear responsibility when he should not properly bear responsibility when a certain right that should have been granted (such as an invention patent right) has been refused. Natural decision as to whether an administrative decision did or did not violate the law can be finally determined only through trial in a people's court.

Third, the plaintiff must be a citizen or juridical person whose legal rights or interests were directly damaged by the administrative decision, or or a citizen or juridical person demanding administrative indemnification as a result of his rights having been infringed upon.

Fourth, the law suit must be brought after administrative procedures set by administrative control laws and regulations have been complied with.

Fifth, suit must be brought within the time limit for legal proceedings set by law. When the prescribed time limit for filing suit is exceeded, unless special circumstances apply, the litigant loses the right to file suit. There is a great lack of unanimity in the time limits set for filing suit in administrative litigation under China's current administrative control laws. Until such time as there are uniform regulations, the time limits for litigation set by individual laws will have to be followed.

Sixth, administrative cases must be within the purview of people's courts, and be within the jurisdiction of the people's court hearing the case. If a case for which a suit has been filed should not by law be within the purview of people's courts, the plaintiff has no right to file suit. If the case is within the purview of people's courts but not within the jurisdiction of the people's court hearing the case, the plaintiff's right to bring suit cannot be effectively guaranteed by that court.

**Question:** What is the significance of the administrative litigation system?

**Answer:** Establishment of an administrative litigation system holds important significance for development of socialist democracy, for perfection of the socialist legal system, and for supervising and encouraging state administrative organs and their employees to conduct administration in accordance with law to protect the rights and interests of citizens and juridical persons. It assures that citizens and juridical persons, in their role as the controlled, will occupy a position of equality with state administrative organs in their role as the controllers, will enjoy the right to enter into litigation, and will discharge duties in litigation, giving expression to the principle of the equality of all before the law and demolishing the traditional feudal concept of "holding officials in high regard and the people in low regard," "only permitting officials to rule the people but not permitting the people to sue officials." It cultivates people's democratic consciousness and a spirit of taking the initiative, the broad masses of the people thereby gradually learning how to use the law as a weapon to protect their own democratic rights and their legal rights and interests; enabling citizens and juridical persons to gain compensation for losses caused by the wrong decisions of administrative organs. In addition, it can become a regulator of relations between the controllers and the controlled in daily social life, enabling those whose rights and interests have been infringed by illegal



administrative actions to go through regular legal channels to release their resentment and obtain rightful remedies in accordance with law. This not only helps eliminate the feelings of antagonism and dissatisfaction of the persons concerned toward the administrative organ, and promotes stability and unity, but also serves to reduce or avoid negative factors affecting stability and unity to assure a peaceful country and a prosperous people.

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**Chinese Democratic Party Leader Sun Qimeng Interviewed**

40050179 Beijing LIAOWANG [OUTLOOK] in Chinese No 11, 14 Mar 88 pp 12-13

[Report on Interview with Sun Qimeng [1327 6386 1322] by Liu Jinghui [0491 2417 2037]: "Bring into Play the Supervisory Role of Democratic Parties; Chairman of China Democratic National Construction Association Interviewed"; date and place of interview not given]

[Text] Sun Qimeng, now aged 76, is a noted political activist. After graduating from Dongwu University in 1930, he was for a long time engaged in education. In 1945, he founded and joined China Democratic National Construction Association, and after the national liberation, held the posts of deputy chief secretary of the State Administrative Council and deputy chief of Central Committee Personnel Department. In the China Democratic National Construction Association, he has held the posts of Central Committee Deputy Chief and Vice Chairman, and was finally elected chairman in the Seventh Session of the Fourth Central Committee held in December 1987.

**Two Different Types of Supervision**

Sun Qimeng attached great importance to the need for reform as pointed out in the Report to the 13th CPC Congress: "We shall catch up with the developed countries economically and, politically, we shall create a democracy that is of a higher level and more effective than the democracy of those countries." In his opinion, China has indeed attached great importance to economic construction; but its need for socialist democracy is even greater. To achieve higher and more effective democracy, there must be really effective supervision. China in its present situation is still far from its goal of high democracy, and needs to make long and persistent efforts.

On receiving the correspondent, Sun Qimeng said: "In China now, two different types of supervision are being exercised: the supervision of NPC as state power, and the democratic supervision of CPPCC which comprises all of the democratic parties and mass organizations, as well as public opinion. Zhao Ziyang pointed out in his report to the 13th CPC Congress: 'When a party is in power, its members tend to become divorced from the masses, and

that is much more harmful to the people than it would have been before the party came to power. Under the new circumstances of reform and opening to the outside world, it has become even more important to improve the Party's work style.' We certainly have to depend on the CPC itself for the fulfillment of this task. At the same time, we must also draw strength from the democratic parties' supervision."

"According to people's practical political experiences in New China, two types of supervision are much better than one. If we exercise both types of supervision so that they will be closely coordinated with mutually promotional effects, we will be marching toward the goal of 'being higher and more effective'."

**Basic Form of Supervision**

Sun Qimeng said: "Judging from China's economic conditions at the present stage, we can see an identify of basic interests of all social members on the one hand, and the emergence of different social interests groups on the other. This will pose a major question concerning sustained and steady economic development as well as political stability and unity, or the way to correctly handle and coordinate the various complex social interests and contradictions. This is also the objective foundation of the long-term existence of democratic parties and their effective supervisory role in addition to their other political functions at the present stage."

Sun Qimeng said: "The main way for democratic parties to exercise democratic supervision is through comments and proposals. Some people may think that since such supervision has no legal effects, the comments and proposals cannot carry much weight. Facts have shown otherwise. Let me cite an example. As Zhao Ziyang recently said, the final draft of the report to the 13th CPC Congress placed great stress on the importance of education, 'thanks to the help and views from everyone,' meaning the comments and proposals just mentioned. From this, we can see that the crucial question is not whether the supervision has any legal effects, but whether the quality of the comments and proposals themselves are realistic and capable of solving problems."

"China is now in the initial stage of socialism. It must vigorously develop its social productive forces and gradually get rid of its poverty and backwardness. Faced with this arduous task, we must strengthen the unity of the nation as a whole, fully develop democracy, arouse the enthusiasm of people of all national minorities, and mobilized the forces in various quarters. It is therefore necessary for all democratic parties to form stronger ties among themselves and with the social strata and social groups they represent. They must play more active roles in political consultation and democratic supervision as required by the constitution and various general and specific policies in order to promote the development of

China's socialist democracy, its stability and unity, and its social productive forces. We may say that this is the most realistic task for the democratic parties at the present stage."

#### Unity of Supervision and Cooperation

On the question of supervision by democratic parties, Sun Qimeng believed in the need for a distinctive guiding ideology—the ideology of unity of supervision and cooperation.

He said: "When China entered the new historical period, the basic policy of 'long-term coexistence mutual supervision, treating each other with all sincerity, and sharing weal or woe' was laid down on the basis of the former policy of 'long-term coexistence and mutual supervision' adopted in 1957. This shows a new relationship characterized by the unity of supervision and cooperation between the CPC and the democratic parties. Since the CPC and the democratic parties have a common goal and identical basic interests, they must all share the weal in success and the woe in failure. Of course, contradictions may occur and divergent views may appear. However, since these contradictions and divergent views are based on identical interests, the correct handling of these contradictions will be a motive force to advance our common cause. At present, although expressing views and making comments are an important form of mutual supervision, facts have increasingly proved that working together on a common task has gradually become the leading factor in mutual supervision. The democratic parties' recent activities in providing various consultation services, initiating various forms of educational projects, and giving jobs to unemployed youths—all of which have developed rapidly in recent years—are the vivid proofs."

Sun Qimeng strongly pointed out: The democratic parties' supervision over CPC is based on cooperation and intended to strengthen cooperation. The cooperation between the democratic parties and the CPC is likewise the kind of cooperation in which mutual supervision serves as the principal means. The addition of "treating each other with all sincerity and sharing weal or woe" to "long-term coexistence and mutual supervision" is the result of a scientific summation of the experiences of the CPC and democratic parties in their common practice. It also shows the elevation of unity of supervision and cooperation to an unprecedented level.

#### Strengthening Our Own Ranks as a Prerequisite to Exercising Supervision

Mutual supervision is the core of the "long-term coexistence and mutual supervision" policy," while long-term coexistence is a condition of mutual supervision. Can democratic parties enjoy long-term coexistence? Sun Qimeng said: "Many outsiders now say that it all depends on CPC policies. It is true that CPC policies play a very great role, but the existence of democratic

parties, in the final analysis, depends on the social economic conditions and social requirements rather than people's will. The realities in the initial stage of socialism provide objective conditions for the democratic parties' long-term existence."

Sun Qimeng said: "The situation and conditions at present are on the one hand more favorable for democratic parties than ever, and on the other hand confronts them with a challenge and test. Whether they can pass this test or not depends on how they will strengthen themselves in ideology, organization, and work style. If they can do well in these respects, they can certainly exist for a long time and their role will continue to grow."

He continued: "In the case of the China Democratic National Construction Association, for example, its most important task is to strengthen its own ranks. To do this, it must first adopt realistic and effective measures for development along with consolidation. While continuing to absorb fresh blood, it must exercise great care to improve its quality and carry out the principle of combining development with consolidation. Second, in accordance with its overall program and plan, it must organize the positive roles of new members to carry out the association's own functions and its political activities. At the same time, it must adopt proper forms and methods of education and continue to improve the ideological, political, and professional qualities of its members, especially its new members, so that they can play more important roles."

"Meanwhile, we must make active and appropriate arrangements for the cooperation of the old and the new members of leading bodies at various levels when the former are to be succeeded by the latter. As for our work, we must actively cultivate and improve the political qualities of the young members so that they can take up leading posts at various levels in the association. These qualities include the abilities to run the party in the interest of the public, to handle the relationship between individuals and the organization, and to implement the system of democratic centralism. We must also create the necessary conditions for forming an age structure within the leadership and accelerate the succession of the old by the young."

Finally, Sun Qimeng said: "To meet the new situation, we must further clarify the guiding principle for organizing the members' activities. According to this principle, we should stress political function as the basic function of democratic parties, and at the same time closely combine it with the function of service. These two functions must be closely combined with mutually promotional effects before the democratic parties can play more active roles. This is the task which China Democratic National Construction must now strive to address."

**New Interpretation of Relationship Between  
Taiping Movement, Westernization**  
*HK2604064188 Beijing RENMIN RIBAO in Chinese  
15 Apr 88 p 5*

[Article by Fang Zhiguang [2455 0037 0342]: "The Taiping Heavenly Kingdom and the Westernization Movement"]

[Text] The Taiping Heavenly Kingdom and the Westernization Movement were launched one after another by two opposing classes, namely, the peasant class and the landlord class, after Chinese history entered the initial period of modern times.

On the relationship between the two movements, a traditional view in historical circles is that the Westernization Movement was an "evil outcome" of the suppression of the Taiping Heavenly Kingdom and that the two movements were "completely unrelated" and were "two completely different things having nothing in common." In my view, this is not a proper view and is open to further discussion. In this short article I shall try to proceed from the concrete facts of the historical conditions at that time to explore again the relationship between the Taiping Heavenly Kingdom and the Westernization Movement. It is hoped that comrades in historical circles will point out the mistakes in it so that they can be corrected.

The Taiping Heavenly Kingdom and the Westernization Movement came into being under the new historical conditions created by the invasion of China by Western powers. Politically, they undoubtedly had opposing aspects.

After the First Opium War, stimulated by foreign capitalist aggression, the Taiping Heavenly Kingdom occurred following the sharpening of the original contradictions between the landlord class and the peasant class. Although it was still basically a continuation and development of the peasant wars of ancient times, it had the marked nature of the old democratic revolution of the modern bourgeoisie. Carrying forward the excellent traditions of the peasant uprisings of ancient times, the peasant leaders of the Taiping Heavenly Kingdom proclaimed in 1853 the "heavenly land system," with the equal distribution of land as the main content, thus pushing the peasant wars in history to a new peak. They also conformed to the historical trend of the times by proclaiming in 1959 the "New Guide to Government," the first political program in modern history for China to learn from the West, thus raising the curtain on China's path of modernization.

The Westernization Movement occurred a decade later than the Taiping Heavenly Kingdom. It was an outcome of the "domestic trouble and foreign invasion" following the Second Opium War, namely, the intensification of national contradictions and class contradictions. At first, it was primarily used to suppress the Taiping Heavenly

Kingdom and the other peasant uprisings and obviously had the nature of suppressing the revolution at home and compromising and surrendering abroad. In fact, the Westernization group was not only the originator of suppressing the revolution by "enlisting the help of foreign soldiers" but also set up modern war industries with the principal aim of "suppressing domestic bandits." Obviously, therefore, it is incorrect to deny the opposing aspects in its class content and even to regard it as a patriotic movement.

However, in addition to suppressing the revolution, the Westernization group actually set up war industries with the aim of "resisting foreign aggression." After the Taiping Heavenly Kingdom was suppressed, on the one hand, the Westernization group continuously pursued its foreign policy of compromise, namely, "befriending various countries"; on the other hand, it quickened the pace of "absorbing advanced Western technology" and launching modern war industries so that China's "military power can gradually grow stronger, the quality of its personnel can gradually improve, its manufacturing technology can gradually be refined, and it can turn from being able to defend to being able to fight and from poverty to prosperity" and the aim of resisting aggression and "improving oneself" could be achieved ("Westernization Movement," Vol 1, p 54). We can thus see that the Westernization Movement's aim of "resisting foreign aggression" was increasingly clear. Therefore, neither is it a realistic attitude to completely deny the objective fact that there were also contradictions between the Westernization group and the aggressors at that time.

In addition to the aspect of political confrontation, the Taiping Heavenly Kingdom and the Westernization Movement obviously had inherent links and some common points economically. These links and common points found principal expression in two aspects, namely "learning advanced foreign technology" and "resisting foreign aggression." This can be explained from a comparison between the "New Guide to Government" and the Westernization Movement.

The "New Guide to Government" favored introducing advanced productive forces and science and technology from the West and establishing capitalist mercenary relations of production, and stressed "the need to learn from the state system of Western countries," namely, the political system, to enable China to embark on the path of modernization and achieve the aim of "contending with Western countries." It was the earliest program for saving the nation through modernization in China's modern history. It surpassed by far the framework of "taking Chinese learning as the essential principles and using Western learning in practical applications" and was even earlier by 2 decades than the program put forward by the advocates of the bourgeois modernization movement. In truth, after the Taiping Heavenly Kingdom occupied Jiangsu and Zhejiang Provinces in 1860, Hong Rengan planned to purchase 20 foreign ships



in Shanghai. Li Xiucheng also bought ships and foreign rifles and guns. The Taiping troops also opened up a foundry in Wusong to copy foreign rifles and guns. This shows that in the war environment in the later stage of the Taiping Heavenly Kingdom, military modernization activity, such as purchasing and making foreign rifles, guns, and ships, was started, and the contents of the "New Guide to Government" were partially implemented. This was conducted almost at the same time as the modern war industries set up by the Westernization Movement. We can thus see that on the path of achieving military modernization, the Taiping Heavenly Kingdom and the Westernization Movement reached the same goal by different means and that they had remarkably common points. The difference was that the Westernization Movement suppressed the revolution, with the result that the efforts of the Taiping Heavenly Kingdom to realize the modernization plan of the "New Guide to Government" in a relatively all-round way were strangled. However, it is quite obvious that the "New Guide to Government" had a far-reaching influence on the Westernization Movement and even the bourgeois modernization group later.

After the Opium Wars, Lin Zexu was the first to raise the slogan of "learning the advanced technology of the enemy to restrain the enemy." This slogan was systematized and summed up by Wei Yuan into "learning advanced foreign technology to restrain the foreigner." However, due to the opposition of the feudal rulers, this slogan was not put into effect. With the smashing of the feudal forces by the Taiping Heavenly Kingdom, the Westernization group took advantage of this opportunity to mount the historical stage and put the slogan of "learning advanced foreign technology" into practice in order to save and safeguard feudal rule. In favoring learning from the West, the most important purpose of the Taiping Heavenly Kingdom was to overthrow feudal rule. This was different from the purpose of the Westernization group. However, in learning from the West to gradually modernize China, both obviously had a common point.

The Taiping Heavenly Kingdom also used the "advanced technology" learned from the West in its struggle against aggression. When Chinese and foreign reactionaries joined forces to suppress the revolution in the later stage of the Taiping Heavenly Kingdom, Hong Xiuquan called on the Taiping troops to "fight courageously against the enemy and its foreign allies" (HUABEI XIANQU BAO [NORTH CHINA TRIBUNE], No 671). They launched a tenacious struggle against aggression. In his "Self-Accounts," written after he was taken prisoner following the fall of Tianjing [referring to Nanjing, then the capital of the Taiping Heavenly Kingdom—FBIS] in 1864, Li Xiucheng also proposed that Zeng Guofan should purchase Western rifles and guns in Hong Kong and Guangdong and asked him to "give priority to guarding against foreigners." Zeng indicated his approval by writing four characters meaning "this point is acceptable." This fully shows that

in opening up modern war industries the Westernization group actually had the aim of "resisting foreign aggression." In fact, as early as in 1862, Zeng Guofan had resisted the proposal of the "ever-victorious army" to attack Tianjing, with the result that British envoy Bruce said jealously and maliciously: "In China Zeng Guofan is probably our most fearful and powerful opponent in this century" ("Letter from Bruce to Russell," 24 July 1862). Zuo Zongtang had an even stronger idea of "resisting foreign aggression" and it was precisely under the guidance of this idea that he opened the Fujian Shipping Administrative Bureau. What was even more commendable was that he used the purchased or manufactured Western weapons to smash the criminal plot of tsarist Russia to annex Xinjiang and to recover the sacred territory of the motherland. Although Li Hongzhang consistently made concessions to foreign countries, he also said in 1862: "Our immediate trouble is the internal bandits, while our long-term problem is the Westerners" ["Letters and Manuscripts to Friends and Colleagues," Vol 4, p 17]. In 1875 he made preparations for the establishment of the modern Chinese navy with "the principal aim of restraining Japan" ("Westernization Movement," Vol 2, p 498). In varying degrees the Westernization group had the ideas and actions of "resisting foreign aggression." This is an objective historical fact that cannot be totally denied.

Soon after the failure of the Taiping Heavenly Kingdom, with the Western powers making the transition toward the stage of imperialism and intensifying their invasion of China's border areas, national contradictions increasingly became a major contradiction in Chinese society. Under such historical conditions, the change by the Westernization group from "giving top priority to pacifying the nation in the past" to "regarding resistance to foreign aggression as an important task today" (Xue Fucheng's "Memorials to the Throne Before Going Abroad on a Diplomatic Mission," Vol 1, p 52) was a logical compliance with historical development.

Why is it that the Taiping Heavenly Kingdom and the Westernization Movement had such an opposed and unified relationship? I think this was determined by the specific historical conditions of modern China.

After the defeat of the First Opium War, the Western capitalist forces intruded into China and began to turn Chinese society into a semicolonial and semifeudal society. The Western bourgeoisie compelled China, "on pain of extinction, to adopt the capitalist mode of production in the Western bourgeoisie's own image" ("Selected Works of Marx and Engels," Vol 1, p 255). Under these new historical conditions, the representative figures of the landlord class and the peasant class, as the two most basic classes of Chinese society at the time, inevitably had to answer, both in words and in deeds, the rigorous subject of the times. When planning how to solve the serious national crisis, as if by prior agreement, they regarded the latter, namely, "adopting the capitalist mode of production" in varying degrees as a principal



way or means to save the nation from peril. Lin Zexu, Wei Yuan, Zeng Guofan, Zuo Zongtang, Hong Xiuquan, Hong Rengan, and others regarded learning "advanced technology" from the West as an urgent task to solve the national crisis. We can thus see that taking the path of capitalist modernization became an inevitable trend of objective historical development at that time, which was independent of the will of any class or individual. Although the Taiping Heavenly Kingdom and the Westernization Movement had different directions, they conformed to the historical trend of China's modernization in varying degrees. This constitutes the internal link and common point between them.

The Taiping Heavenly Kingdom dealt a serious blow to the feudal forces and foreign aggressors. This objectively removed the obstructions to China's modernization. In introducing modern productive forces from the West, the Westernization group had the subjective desire to suppress the Taiping revolution and to save and maintain the feudal rule of the Qing Dynasty. Objectively, however, to some extent it suited the historical trend of China's modernization and raised the curtain on the use of modern industries in feudal China. This is precisely historical dialectics, with both opposing each other and yet also complementing each other. Viewed from the development of productive forces, the Westernization Movement had a certain progressive character and justification historically. Naturally, when Chinese national capitalist industry came into being and wanted to develop, the Westernization group was still fettered by "taking Chinese learning as the essential principles and using Western learning in practical applications," thus obstructing the development of the national economy. As a result, the Westernization group lost the historically progressive character of its early stage, became the reverse, and was bound to fail.

When summing up the proletarian revolutions in Europe in 1848, Engels twice brought to light an important idea on historical development of Marx and himself, namely, "the very people who had suppressed the revolutions of 1848 became, in spite of themselves, the executors of their testament" ("Selected Works of Marx and Engels," Vol 1, p 248). As I see it, this idea is also applicable to the Taiping Heavenly Kingdom and the Westernization Movement. The historical task which history entrusted to the Taiping Heavenly Kingdom was to oppose feudalism and aggression and to prepare the conditions for China to develop modern capitalist industry. This revolutionary task was strangled by the Westernization Movement before it was completed. The executioner strangling the Taiping Heavenly Kingdom, namely, the Westernization group, introduced capitalist productive forces and opened up the modern war industries with the subjective desire to safeguard and consolidate the feudal system. Objectively, it practiced to some extent the contents of the "New Guide to Government" and unconsciously became the executors of the testament of the Taiping Heavenly Kingdom. In this sense, the role of

the Taiping Heavenly Kingdom of pushing history forward was partially reflected through the Westernization Movement in a distorted way. I affirm the historical justification and progressive character of the Westernization Movement in introducing modern productive forces from the West precisely with the aim of affirming the role of the Taiping Heavenly Kingdom in striking at and transforming the feudal rules and pushing history forward. Naturally, it is unnecessary to defend the Westernization Movement's bloody suppression of the revolution and its concessions and capitulation to foreign countries.

### BANYUE TAN Discusses Housing Reform

#### 3 Examples Cited

40050182a BANYUE TAN [SEMIMONTHLY TALKS]  
in Chinese No 2,25 Jan 88 pp 10-17

[Article by Xu Kehong [1776 0344 3163]: "Three Plans for Housing Reform"; first 4 paragraphs are source-supplied introduction]

[Text] Editor's Note: Today, housing constitutes one of the most acute contradictions in China's cities. The state has spent tremendous resources in building houses for many years, but still failed to meet the demand.

An important cause of this contradiction is the use of housing allocation as a welfare measure and a means to enforce a low-rent system. This system has brought about excessive consumption and a distorted production structure.

There is now an imperative need for the housing system to be reformed. However, will it be successful? Can people afford to purchase commercialized houses?

We have published in this issue three articles relating to housing reform. These articles may dispel doubts among those who may labor under some mental burden in this reform.

Implementation of the housing reform program formally began in Yantai on 1 August last year. This implementation marked the first step in a reform which had been under deliberation in China for 8 years.

In April 1982, the responsible State Council departments designated Zhengzhou, Changzhou, Siping, and Shashi as four experimental cities for the housing subsidy system (under which, the buyer of a house pays only one-third of the price, and the unit or the state subsidizes the rest.) This system did not embody the principle of commercialized housing, and was not exactly based on the housing reform program. The experiment therefore revealed many problems, and was suspended in these cities in 1985.

The CPC Central Committee and State Council leading comrades pointed out in their talks on many subsequent occasions that the housing reform would have an important bearing on the overall national economic situation, and the State Council specially formed a housing reform leading group. In the Fourth Session of the Sixth NPC, Comrade Zhao Ziyang pointed out: "To gradually commercialize housing, we should fix reasonable rents and sale prices for housing units while making readjustments in the wage structure." Thus the vision of a housing reform highlighted by "raising rents and increasing wages" gradually took shape.

According to this basic vision and in light of local realities, many cities in China have actively conducted investigations, study, and projections on the reform and separately introduced their own plans. As we can see from the experiments in five cities, the three principal plans are as follows:

**Yantai (Bengbu) Plan.** This is a mature plan characterized by "raising rents and issuing certificates with empty transfers as the beginning." Raising rents means increasing the present low rents of a welfare nature to the rate of 1.25 yuan per sq m so that the rents will be closer to the value of the house. Issuing certificates means issuing to the workers, who occupy public housing, certificates equivalent to 23.5 percent of their monthly wages after considering the present per-capita floorspace for workers in the city and other factors. These certificates are used to pay rents introduced after the housing reform, or to buy housing units.

The so-called empty transfer as the beginning means the method of "issuing with one hand and recovering with another" used in dealing with those who occupied old housing units before the reform (i.e. before 1 Nov 1986). In other words, the certificates issued to tenants of old housing units, after being used to pay rents, are returned to the issuing units to be used again. The advantage of this method is that it does not add to the expenditures of the units issuing the certificates. To reduce the workload and the printing expenses required in issuing a certificate to everyone, Yantai has now adopted the accounting method of using "identifications in lieu of certificates." The difference between the sediment households (who can save some of the certificates) and the additional-payment households (whose housing certificates are not enough for their actual rents and need to pay cash in addition) is settled, and the cash collected (from the households who have to pay cash in addition) is deposited with a bank to build up a reserve fund for honoring the unused certificates. Since payments of most unused certificates take the form of transfers of accounts, their impact on the market can be avoided for a certain period. As we can see from the experience of Yantai in the first several months of its implementation, this system has the following merits: The economic burden on the enterprises, establishments, and tenants are fairly

light, and the reform can make an easy start. It can also restrict the demands for excessive space and encourage workers to buy housing units.

A calculation based on Yantai's plan will show that for a family of three, with a floorspace of 10 sq m per person and a basically complete set of household equipment (deductions allowed for incomplete equipment), the rent should amount to 38.4 yuan. Now let us make a fairly conservative estimate based on the average income of ordinary working families in the cities. If a family with two working persons earns 140 a month, its monthly rent after the reform should be 32.9 yuan (23.5 percent of the basic wages). After the increase in rent, it has to pay another 5.5 yuan for the new housing unit. This 5.5 yuan is approximately the same amount to be paid before the reform. Therefore, this family can maintain a basically balanced budget. Objectively speaking, the income of city families with two working persons is higher than this estimated amount, and many families can afford to increase their living floorspace by several square meters.

The main problems with the Yantai (Bengbu) plan are as follows: The reform with empty transfers as the beginning is not closely related to the units building the houses, because these units can gain no real benefits. The shortage of funds for the construction trade is still an unsolved problem. Thus there can hardly be a healthy circulation of construction funds until after the actual transfer.

**The idea behind Changzhou's plan of housing reform is "raising funds and increasing rents in a one-step process."** It means that instead of the use of housing certificates as a transitional measure, the receipts and payments as well as housing subsidies to workers are all in cash. This system calls for a large cash back-up, but Changzhou has good economic resources.

What the Changzhou Plan has in common with the Yantai Plan is that the same percentage of wages is used for subsidy. The difference is that funds are raised prior to the raising of rents. The housing funds from the former sources are rationally assessed, and then pooled to form a "housing circulation fund." The house rents are raised to 1.44 yuan per sq m. The housing subsidy in the form of cash goes into the enterprise's production cost and is based directly on the worker's wages, in order to achieve a benign cycle of housing and production. The advantage of this method is that it streamlines the channels of housing funds, guarantees the source of funds for increased rents, for issuing certificates, and achieving a benign cycle of funds at the very start. However, this "one-step process" required a huge amount of money and exerts considerable pressure on local finance. It entails certain difficulty on those cities that are not financially strong.

Differing from those of these two cities, Shenyang's plan is for the reform to be conducted in separate groups with large enterprises taking the lead in order to make an easy

start in a gradual process. As its main feature, this reform starts with the large enterprises which are under relatively better economic conditions and then expands to include ordinary enterprises, administrative organs, and other establishments.

Shenyang chose this plan for the following reasons:

1. Industrial enterprises account for more than half of its 10,000 and more units. Completion of the housing reform among enterprises will mean the solution of half of the related problems in the whole city.

2. The housing units controlled by industrial enterprises account for more than 40 percent of all unit-controlled housing in the city and can be easily organized into a system with less external interference. These enterprises can easily accomplish the reform with their own decisionmaking power.

3. Industrial enterprises have their economic strength and can solve the problem of funds.

Subsidies, which cannot exceed 24 percent of the wages, are carried out in credit transactions. The amount of surplus, which should be equal to that of cash deposits, are credited to the account of the tenant. This credit system helps restrict the use of subsidies to a special fund for the purchase or building of houses, and prevents their circulation on the market. The funds for subsidies are absorbed by the enterprises themselves. One-third of all units in the city are now conducting the reform.

The advantage of Shenyang's system is that the affected area is small, and a healthy circulation of funds can be easily accomplished. However, since the reform at its initial stage is confined to large enterprises, its impact on the overall situation cannot be significant. The problem of dealing with workers of the reformed and the not yet reformed units at cross purposes may also cause insurmountable difficulties.

To sum up, we can say that each of these three plans has its merits as well as shortcomings, and they all need to be gradually improved in practice. During the reform, we should also encourage the use of other systems, such as new rents of new houses, above-standard increase in rents, and the organization of housing cooperatives. Following the first group of 5 experimental cities, as I understand, a second group of 12 cities will be selected for the same purpose under state guidance. These cities are Xingtai, Zhenjiang, Jinzhou, Nanping, Foshan, Jiangmen, Lanzhou, Chongqing, Shijiazhuang, Wuhan, Xiamen, and Shihezi. They will adopt new methods.

#### Interviews With Individuals on Street

40050182b Beijing BANYUE TAN [SEMIMONTHLY TALK] in Chinese No 2, 25 Jan 88

[Article by Liu Weifu [0491 6182 4395]: "Street Talk about 'Housing Reform'"]

[Text] Implementation of Bengbu's housing reform plan formally began last October. In the middle of November, some tenants had to pay additional rent for the first time.

For many days, our correspondents roamed the streets and lanes and talked to nearly 100 workers, cadres, teachers, engineers, private business owners, and members of working families.

#### "Only Fair To Pay More Rent for More Living Space"

Principal Sun of Bengbu No 2 Secondary School led us to two new dormitories and then to his home. What a comfortable home it was! It consisted of three bedrooms, one living room, a kitchen, and a toilet, with good ventilation and lighting. Our correspondent said: "As I can see, you must have to pay additional rent. What do you think of it? He answered with a smile: "Yes, I have to pay additional rent. For a floorspace of 52 square meters at the rate of 1.18 yuan each, the rent totals up to 61.36 yuan. The total monthly wages of my wife and myself are more than 230 yuan, and at the rate of 21 percent, our housing certificates are worth 48 yuan. Even though the 6 yuan we formerly paid are added to the worth of the certificates, there is still a deficit of 7.36 yuan. According to regulations, a 50-percent deduction is allowed for the portion above 5 yuan, and I need to pay only 6.18 yuan. It means that I have to pay 12.18 yuan, the 6 yuan previously paid included, each month. Previously, we had a floorspace of only 18 square meters. Now, our home is a paradise. We have to pay more than we did before the housing reform, but it is only fair that we pay more rent for more living space. I am in favor of the housing reform." Principal Sun also told us that 60 teachers and staff members were living in the two new dormitories and that each of them had a floorspace of about 50 square meters. About 60 percent of them had to pay additional rents averaging about 15 yuan per month which they could afford. "Because this is the trend of the times, such a step must be taken sooner or later."

The municipal housing reform leading group told me that 40 percent of the tenants in the city were paying additional rents, while the remainder had more housing certificates than they used. According to a poll among 10,000 families, 72 percent were in favor of the housing reform, and only 28 percent opposed it.

#### "Calculation of Housing Cost Now Needed"

There was a snack bar by the side of Bengbu No 1 Grain Depot. A correspondent talked to Chen Keren [7115 0344 0088], deputy chief of the grain depot, then eating in the snack bar. He said: "This is a really smart trick. Formerly, people in our depot raised a hue and cry every day demanding larger housing units. Now these demands have markedly reduced, and some people have even given up their big units for small ones. Such a phenomenon had never been witnessed before.

A correspondent visited the home of Zhang Guihua [1728 2710 5478], staff member of the Municipal Grain School. His mother Peng Xiuzhen [1756 4423 3781] told me that she, her husband, and her daughter were living together in a housing unit of 34 square meters. She was



dissatisfied with her former unit and wanted to move into an apartment allotted by her husband's unit. After the housing reform, however, she calculated the cost and found that out of her husband's retirement pay of 72 yuan, she had to pay more than 10 yuan as additional rent and her unmarried daughter had to pay another 20 yuan. This was too much and not worth the trouble. Thus she had to give up the housing unit already allotted, but not yet used. The key was returned to the husband's unit, and the family continued to live in the old housing unit. Now she pays only 5.14 yuan which means a great saving. I asked her: "Is this change in rent payment good?" This old lady of 68 replied with a smile: "Paying rent according to the space used is like buying food on the market. The more you buy, the more you pay. This is only fair." Workers who are similarly concerned with their housing costs can be found in almost all units. The concept of commercialization is being gradually formed.

#### **"Buying a House Now Hopeful"**

Several taxi drivers were chatting about "housing reform" in Bengbu Railway Station Square. Wang Lisheng [3769 4539 3932] said: "This system is not bad. It is annoying to be cooped up in my run-down house. Now I can buy a fairly comfortable home. I made some enquiries several days ago, and found, to my dismay, that more than 3,000 applications had been received for house purchases in the city. When can I have my turn to buy one! However, like driving a car, it is better to be slow than to stop. Anyway, buying a house with money is now hopeful." Another driver Chen Guangyou [7115 0342 0645] said: "You can say this, because you have the money. I am still new as a driver and have no money to buy a house. If I had the money, it would be worthwhile to buy one. For example, a new building with a construction area of 50 square meters costs 12,500 yuan at 25 yuan per square meter, with a 30 percent deposit of 3,750 yuan. The rest can be paid by installments over 20 years. The house will be yours, and you will be free to mortgage, sell, or rent it out."

The situation was different when we interviewed Pan Chengying [3382 2052 5391], a retired worker living at the end of a small lane near the Municipal Rice Mill. Her family of nine lived in a housing unit of 24 square meters. We entered this unit and found it so cramped that no space was available for us to sit down. While cleaning some vegetables, Old Lady Pan complained: "My only worry now is about housing. My oldest son did not get married until the age of 31. He is still living in the mill's dormitory. My second, third, and fourth sons all have girlfriends, but have no house to live in if they get married. This is really tough!" We said: "Since your family can save more than 100 yuan from your housing certificates, you can afford to buy a house." The old lady suddenly smiled and talked aloud: "If it were not for the reform, nobody would come to inspect this house, and how can the mayor know our housing situation! They talked about trying to sell us a housing unit, but it is not easy to do. The young people have to eat and are eagerly

waiting to get married. We have a tight budget!" We said: "You should use all your money to buy a house first. Such items as color TV, refrigerator, and furniture can be bought later." The old lady's son, daughter-in-law, and future daughters-in-law all said: "This is the only way. We have already applied to buy a house."

#### **"Control Over Abuse of Power for Personal Benefits"**

Peonies at the northeastern corner of Shengli Road intersection were in full bloom. Three veteran workers were sitting there and talking about the housing reform with great interest. Liu Weidao [0491 4850 6670] of a forklift plant said: "This reform is good, but I can hardly have my turn to buy a house. The benefits mostly go to those cadres now occupying public housing. Some people said that this system provides a control on the abuse of power by those who want more public housing; but in my opinion, this control is not completely effective. According to current regulations, additional rents above 5 yuan are subject to a 50 percent reduction. This is unreasonable." Zhang Hairong [1728 3189 2837] of a transportation company said: "This is indeed unreasonable, as you said. If they want additional living space, they should pay the full amount."

On this question, Wang Zonglin [3769 1350 2651], deputy chief secretary of the municipal government who had participated in the formulation of the housing reform plan, gave this explanation: "People hold this view not without reason; but they look at only one side of the problem. This is only an interim measure reluctantly enforced. Actually, those occupying more space should pay the full amount; but there is the question of the occupants' ability to bear this additional burden. Some cadres have occupied more space than they actually need because of the force of tradition. If they are immediately required to move to smaller houses, the objective conditions are not yet ready. On the other hand, if they remain in the same houses and have to pay more than they can afford, there may be obstructions to the housing reform. Take a cadre with a family of two working persons, or an intellectual with a family of four for example. If they live in a 50-square meter house with a monthly income of 200 yuan, their rents, new and old combined, would amount to 20-30 yuan, or to 30-40 yuan with the addition of water and electricity fees. This is something they can hardly afford. However, starting next year, we plan to lower the reduction rate from 50 percent to 40 percent, and the reduction will be lowered progressively until it is entirely abolished in 5 years."

#### **"Striving for Perfection Gradually Through Intensification of Reform"**

Mayor Xu Jingren [1776 2529 0088] brought us to the new dormitory of the Municipal Science and Technology Commission. We visited the homes of five senior engineers. In each family, the mayor asked about the situation after the housing reform, listened to what the tenants said, and talked with the technical personnel and



their dependents. On the way home, he told us: "Some problems in the housing reform need to be solved through the gradual perfection along with the intensification of reform. First, several problems which have led to the loudest outcries from the people, such as the regulation on the 50 percent reduction and the 20 percent redemption of unused housing certificates, should be solved after explorations in practice. Second, there is the problem of funds for housing construction. We plan to form a local savings bank for housing, beginning with a loan from the municipal government and five banks of 20 million yuan to start the business,

and then accept people's deposits. By this means, we will be able to build more commercial houses and end the present surplus of demand over supply. Third, we should study some way to solve the problems with the whole set of policies to be enforced in coordination with the housing policy. For example, there should be new supportive measures for credit and land control, housing legislation, and workers' welfare. Only thus can the housing reform proceed smoothly and provide greater benefits for the broad masses."

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## NATIONAL AFFAIRS, POLICY

### Economic Development Over Past Five Years

HK3005072788 Hong Kong LIAOWANG in Chinese  
No. 15, 11 Apr pp 12-14

[Article by the State Statistics Bureau: "A Review of China's Economic Development Over the Past Five Years"]

[Text] During a 5-year period from 1983 to 1987, economic structural reform in China was fully carried out, and gradually deepened. Our national economy increasingly became active, and marked progress was achieved in the fields of production, construction, circulation, consumption, and so on. A profound change took place in our social and economic life.

#### Remarkable Increase in Economic Strength

During the past 5 years, the Chinese national economy increased by a big margin, and advanced steadily. In 1987, our GNP reached 1,092 billion yuan. It was 68.9 percent higher than 1982 in terms of comparable prices. The average yearly increase was 11.1 percent. Our national income reached 915.3 billion yuan, an increase of 66.2 percent over 1982. The average yearly increase was 10.7 percent. During the past 5 years, China maintained its stable and growing momentum in its economic development. This was a sharp contrast to the turbulent economic situation in the world.

The sustained economic development enabled China to remarkably strengthen its economic power. In 1982, China's GNP ranked 9th in the world, but it was upgraded and ranked 7th in 1987. China's gross agricultural output value ranked first in the world, and its gross industrial output value was second only to that of the United States, the Soviet Union, Japan and Federal Germany. China ranked first in the world in its production output of corn, pork, mutton, cotton, rape, cloth, cement, raw coal, and so on. Production output of its chemical fertilizer and sulphuric acid ranked third. Production output of its steel and its electric energy production ranked fourth. Production output of its crude oil ranked fifth. Its import and export volumes were upgraded in ranking from 19th to 12th.

#### Economic Structural Reform in Full Progress in Both Rural And Urban Areas

Rural reform continued to deepen. While perfecting systems of contracted responsibilities on the household basis with remuneration linked to output, some economically developed regions and the suburbs of the big and medium cities began to change the pattern of "land distribution among peasants, and each and every household tilling the land." On a voluntary basis, a number of cooperative economic organizations were developed. Special market and special economic zones were also established.

Urban reform was centered on the key link of invigorating the enterprises. Efforts were made to promote various kinds of contracted management responsibility systems, so that enterprises became relatively independent producers and operators of commodity production. By the end of 1987, 68 percent of the state-operated industrial enterprises had already implemented a factory manager's responsibility system, and 82 percent of our large and medium state-operated industrial enterprises, and more than 60 percent of our large and medium state-operated commercial enterprises implemented various kinds of contracted management responsibility systems based on contracts, leasing, and so on. Some 80 percent of the small state-operated commercial enterprises was changed into collective management, or collective ownership. Some were leased to the collective, or individuals.

Lateral links of enterprises further developed in depth. They were established in a larger scope, and in more varied forms. Various enterprise groups developed very rapidly. They were marching toward a direction of large-scale and regional operations, and well-developed networks.

As far as ownership systems were concerned, efforts were made to encourage the development of urban and rural collective economy, cooperative economy, and other economic forms. Multiple and varied ownership structure with emphasis on public ownership was gradually formed. Of the output value of various kinds of industrial enterprises, the proportion of the output value of industrial enterprises under ownership by the whole people dropped from 73.8 percent in 1982 to 57.5 percent in 1987. Of the total sale volume of commodities in various kinds of commercial enterprises, the percentage of commercial enterprises under the ownership by the whole people dropped from 48.7 percent to 38.7 percent, whereas the percentage of individual commercial enterprises rose from 2.7 percent to 17.2 percent.

The socialist planned market system is being gradually formed, and the market of means of production is being constantly expanded. In 1987, sales volume of the trade centers of goods and materials reached 26.8 billion yuan. Technology, financial, labor service and property markets started from scratch, and developed.

#### Greater Changes Taking Place in Rural Production Setup

Rural economic structural reform was a great driving force for promoting the development of the entire rural economy. In 1987, the total output value of the rural area reached 904.1 billion yuan. It was quadrupled in a short period of 5 years in terms of comparable prices. Its proportion in the total social output value of the whole country accounted for more than 40 percent.

An all-round development was achieved in farming, forestry, animal husbandry, side-line production and fishery. Last year, gross agricultural output value was 444.7 billion yuan. Compared with 1982, the average yearly increase was 6.3 percent. Farm production, forestry, animal husbandry, fishery and side-line production increased by varying degrees. In the past 5 years, although production output of main agricultural and side-line products fluctuated, it increased by a fairly big margin. However, non-agricultural undertakings made great strides forward. Last year, total production output value of industry, building industry, transportation and commerce in the rural area reached 459.4 billion yuan, an increase of 220 percent over 1982. The average yearly increase was 26.3 percent. The proportion of the total production output of these undertakings in the rural gross social production output value increased from 32.5 percent to 50.8 percent. This meant that it exceeded total agricultural output value. The development of the non-agricultural undertakings enlivened the rural commodity economy, increased peasants' incomes, and created job opportunities for the massive rural surplus labor force. At the end of 1987, more than 81 million people were engaged in non-agricultural production, accounting for more than 1/5 of the rural labor force.

#### **Industrial Production Entered a New Stage**

A sustained, stable and coordinated development was achieved in industrial production. In 1987, total industrial output value reached 1.378 billion yuan. During the past 5 years, the average yearly growth rate was 15.3 percent. The development of various industrial sections were well coordinated. Light and heavy industries developed at approximately the same speed. Inside the light industry, the proportion of the production of light industry with agricultural and side-line products as its raw materials declined, whereas the percentage of the production of the light industry with industrial and mineral products as its raw materials increased.

The power of our industrial production was strengthened. Production output of our main products increased to a new level. In 1987, production output of our raw coal, crude oil and steel and our generated energy were 31-51 percent higher than 1982. Cement increased by 89.1 percent, and automobiles by 140 percent. Production output of our woollen cloth, chemical fiber, tinned food, beer, household refrigerators, radio/cassette players, television sets and cameras, and so on doubled, or increased several fold.

In the past 5 years, the industrial sector made an investment of more than 100 billion yuan in technical transformation, and more than 100,000 items were updated. We imported more than 10,000 advanced technical items and facilities from foreign countries. We spent foreign exchange in a sum of \$10 billion on these projects. This narrowed the gap between China and the advanced countries in the world in terms of technical level.

#### **The Development of the Tertiary Industry Was Speeded Up**

During the past 5 years, while developing our primary and secondary industries, we also speeded up the development of the tertiary industry with an average annual growth of 13.3 percent. The proportion of the output value of the tertiary industry in the domestic total production output value increased from 20 percent in 1982 to 25.6 percent in 1987.

On the basis of the development of industrial and agricultural production, our market was brisk and active. In 1987, our total volume of retail sales was 582 billion yuan, an increase of 130 percent over 1982. The average annual growth was 17.8 percent. In both urban and rural areas, food, clothing and daily necessities sold well.

The previous long-term situation of the severe shortage of consumer goods had been basically changed. In the meantime, with the progress in commercial structural reform, the "monopoly" of state-run commerce was broken. Commerce run by individuals and market fairs in both urban and rural areas vigorously developed. The number of workers employed by commerce, food and beverage trade and service trade markedly increased. The number of sales networks also considerably increased. This provided convenience for the daily life of the masses. The tense situation in urban areas characterized by "difficulties in eating in restaurants," "difficulties in getting accommodation," and "difficulties in repairing damaged articles," and so on was considerably eased.

#### **Economic Exchanges With Foreign Countries Rapidly Developed**

During the past 5 years, China initially carried out the reform in its foreign trade system. The decision-making power of localities and enterprises in foreign trade was expanded. Preferential policy such as retaining foreign exchange, encouraging exports, and so on was implemented. More ports were opened up to the outside world. All these measures vigorously promoted the development of foreign trade. According to statistics compiled by customs, in 1987 China's total import and export volumes reach \$82.7 billion, 100 percent higher than 1982. Total import volume was \$43.2 billion, an increase of 120 percent, whereas total export volume was \$39.5 billion, an increase of 77.1 percent.

With the constant improvement in the environment for investment, we made new success in making use of foreign capital. In the past 5 years, China actually made use of foreign capital in a sum of \$24.16 billion. Foreign capital came from various sources. It mostly came from Hong Kong and Macao, the United States, and some west European countries. In addition, China also attached importance to strengthening its extensive economic and technical cooperation with the Third World countries in Asia, Africa and Latin America. At present,

a situation has been formed in China of developing the use of foreign capital from the coastal areas to the hinterland, and from isolated points to the whole area. In addition, investment structure has also been improved. The practices of making use of foreign capital to strengthen key construction projects in China, of importing advanced technology, and of increasing exports to earn more foreign exchange have played a markedly important role. In 1987, by integrating loans provided by foreign countries with domestic investment, China made arrangements for more than 3,000 large and medium investment projects and a number of small investment projects. Most of them were important projects having a direct bearing on the development of the national economy, and on the earning of foreign exchange.

China has also made a breakthrough in undertaking contracted projects abroad, and in cooperation in providing labor service. By 1987, China established more than 70 companies responsible for international economic cooperation, and signed more than 4,000 contracts with more than 100 countries and regions on contracted labor service. Over the past 5 years, the total accumulated amount of the relevant contracts reached \$7.03 billion, with a turnover exceeding \$3.99 billion.

International tourism has further developed. In 1987, China received 26.9 million foreign tourists, an increase of 240 percent over 1982. Incomes from tourism reached \$1.84 billion, an increase of 120 percent. The accumulated incomes in foreign exchange from tourism over the past 5 years reached \$6.69 billion. This was equal to 4.5 percent of the total exports volume of the same period.

#### **Intellectual Investment Was Increased, and Scientific, Technological and Educational Undertakings Were Further Developed**

With the constant development of economic construction, China has continuously increased its investments in science, technology and education. It has trained a large number of talented personnel, and made a great achievement in scientific research. The development of scientific, technological and educational undertakings has been further coordinated with economic development. During the past 5 years, the state spent more than 80 billion yuan on education. The average yearly increase was 16 percent. About 50 billion yuan was spent on scientific research. The average yearly increase was 14 percent.

During the past 5 years, there were 1.863 million students graduated from universities and colleges. We trained 69,000 postgraduate students. A large number of secondary school students who had failed their university entrance examination received vocational training. We also enhanced the quality of our laborers. Basic education was further strengthened. School enrollment rates of children of school age was increased from 93.2 percent in 1982 to 97.1 percent in 1987.

During the past 5 years, our scientific and technological undertakings developed very rapidly. In 1987, there were a total of 8.68 million scientific and technical personnel working for units under ownership by the whole people, an increase of 38.6 percent over 1982. Major achievements were made in more than 50,000 scientific and technological projects, 912 of which were awarded by the state. Projects such as micro-neutron reactors, super-precise axles, super-precise lathes, research in superconductors, carrier rockets, experimental communication satellites, microwave control systems, and so on have attained international advanced levels. Many of the achievements in scientific and technological research have been applied to production, and marked economic results have been achieved in this regard.

Encouraging achievements were made since the implementation of the "spark plan" aimed at invigorating the rural economy. In the past 2 years, a total of more than 2,800 projects covered by the plan were completed. Construction projects of the "spark plan" at the levels of the state, province (autonomous regions and municipalities) and prefecture (cities) are in full progress. They are playing an increasingly important role in invigorating the local economy, and in enhancing the scientific and technological level of township and town enterprises.

#### **Living Standard of Urban and Rural Residents Was Further Enhanced**

During the past 5 years, urban and rural residents made a big step in embarking on the path of common prosperity. Most of them already solved the problem of having enough food to eat and sufficient clothes to wear. A portion of our residents attained a comfortably well-off level.

In 1987, per capita net income of peasants reached 463 yuan. After deducting the factor of price change, it was actually 51.2 percent higher than 1982. The per capita living expenditure expense of township and town residents was 916, an actual increase of 35.7 percent.

The consumption amount of various kinds of consumer goods for daily life increased by varying degrees, and the grade of the products was promoted. Residents paid more attention to the nutrition of their food. The consumption amount of various kinds of non-staple food increased by a big margin. Residents bought a greater variety of clothes which followed the fashion. The amount of their durable consumer goods increased rapidly. They continuously increased their electric appliances. By the end of 1987, on the average every 100 city resident households possessed 66.8 washing machines, 19.9 refrigerators, 34.6 color television sets, and 57.4 recorders. In the rural area, the number of above-mentioned electric appliances possessed by peasant households also increased by a big margin. Products such as video recorders, pianos, high-grade cameras also began entering residential households.



The living conditions of urban and rural residents further improved. Over the past 5 years, the accumulated area of newly built houses in cities and the countryside was 850 million square meters. The percentage of households which had no house, lived in a very crowded environment, or lived in very inconvenient areas dropped to 11.2 percent. The "fever of building houses" in rural areas lasted a long time. During the past 5 years, the accumulated area of newly built houses in rural area reached 3.9 billion square meters.

#### The Present Three Major Economic Problems

During the past 5 years, our national economy developed vigorously. However, there are also problems which merit our attention. They are mainly reflected in the three aspects of the production of agricultural goods, total social demand and goods prices.

In the past 3 years, the production of our main agricultural products fluctuated. We failed to fulfill production targets of grain, cotton, oil crops, and so on for 3 years running. Compared with the record high level of 1984, grain production in 1987 dropped by 4.9 million tons, and cotton by 2.07 million tons. Compared with 1985, production output of oil crops in 1987 dropped by 530,000 tons, and sugar by 5.75 million tons. In the past 3 years, our agricultural production was changed from the hyper growth over the past few years into a normal growth. During the same period, our agricultural production increased year by year. We have failed again to coordinate the development of industry with that of agriculture. Lacking staying power in agriculture has become an important factor impeding our economic development.

The margin of increase in total social demand is a bit too big. During the past 5 years, we did greatly increase total social supply. However, due to the fact that our investments were out of control and that there was inflated consumption, the growth of total social demand was faster than that of total social supply. In the past 5 years, there was an average of 23.4 percent annual increase in the investment in fixed assets of the whole society. There was also an average annual increase of 20 percent in social commodity purchase power. They were higher than the average annual increase of national income of 10.7 percent in the same period. Besides, our production pattern does not conform with consumption. All this has aggravated the contradiction between supply and demand, leading to a tense financial situation and inflation of credit.

The incomes of some residents have actually declined because of the drastic increase in commodity prices. Due to the fact that we have freed and readjusted the prices of some commodities, and that the increase of social demand is too high, and that the consumption of social groups and urban and rural residents have risen simultaneously, price increases have been stimulated in the

past years. During the period from 1983 to 1987, retail price of social commodities increased by 29.2 percent, whereas living costs of workers and staff members went up by 36.5 percent.

### PROVINCIAL

#### Jilin Government Meeting on Subsidies for Workers

SK0405080188 Changchun Jilin Provincial Service in Mandarin 2100 GMT 3 May 88

[Excerpts] The provincial government held a meeting of mayors to discuss and decide on giving appropriate subsidies to workers after changing the retail prices of major nonstaple food.

Recently the provincial government held a meeting of mayors in Changchun to analyze the market situation and discuss the issue of giving appropriate subsidies to workers after changing the retail prices of nonstaple food in line with the province's reality. Attending the meeting were vice mayors, deputy heads of autonomous prefectures, deputy commissioners of various cities, prefectures and autonomous prefectures in charge of financial work, and section directors of the pricing, commercial, and financial bureaus. [passage omitted]

Responsible comrades of the provincial pricing bureau reported on the trial implementation of the plan of giving appropriate subsidies to workers after changing the retail prices of major nonstaple food. Responsible comrades of the provincial commercial and financial bureaus introduced the province's situation in making market arrangements and giving financial subsidies to workers after changing the retail prices of major nonstaple food. Responsible comrades of various cities, prefectures and autonomous prefectures gave speeches respectively at the meeting. Comrades attending the meeting unified their thinking and understanding and exchanged views.

Vice Governor Gao Wen presided over the meeting and addressed the meeting.

The meeting participants conscientiously analyzed the market situation and maintained that, judging from the general situation, the province's market situation is brisk and invigorating. Recently, some daily necessities, needles, shoes, textile products, sugar, and soap are in short supply. However, there are many favorable conditions for making good arrangements for markets. The governments at all levels have attached great importance to market problems and have adopted some effective measures for developing production and increasing supply. The production of hogs has gone up and the vegetable farming acreage has been fixed. Last year our province witnessed a bumper grain harvest, and the whole country reaped a comparatively good harvest of grain and major cash crops, thus providing favorable conditions for the

light and textile industry. Some major industrial products and many popular goods of dependable quality have a comparatively large stock. The meeting put forward specific measures for making proper market arrangements: making arrangements for production, increasing purchase; grasping commodity supply; reducing stockpiling; expanding sales; enriching the market; strengthening market price management, supervision, and investigations; and making continued efforts to safeguard the interests of consumers.

Based on full discussions, the meeting clearly defined the following few points on giving appropriate subsidies to workers after changing the retail prices of major nonstaple food:

1. The method of giving subsidies to workers for a fixed amount of major nonstaple food after the change of the retail prices will be put into practice on 1 May.

2. The subsidies will be given according to three standard levels. Calculated in terms of the per-capita monthly subsidies, Changchun and Jilin cities will receive 10 yuan and other cities, including the county-level cities and Qian Gorlos Mongol Autonomous County, will receive 9 yuan. Workers and staffers of county seats and townships and towns who live on marketable grain will receive 8 yuan per-capita.

3. In vegetables, in line with the principle of exercising fewer controls, adopting more flexible policies and gradually giving a free hand in management, we should reduce the varieties of vegetables that are subject to management, and expand the scope of negotiated purchase and sales. Those decontrolled vegetable varieties should not be withdrawn. All localities may specifically manage and grasp a few vegetable varieties in line with their own reality.

4. After the issuance of the plan of giving subsidies, it is necessary to strictly control the issuance of other measures for readjusting commodity prices and charges in an effort to prevent people from taking advantage of this opportunity to readjust prices.

**Gansu 1987 Socioeconomic Statistics**  
HK0405141188 Lanzhou GANSU RIBAO in Chinese  
22 Mar 88 p 2

["Communique on Economic and Social Development in 1987, Issued by the Gansu Provincial Statistical Bureau on 21 March, 1988"]

[Text] In 1987, under the leadership of the CPC Central Committee, the State Council, the Gansu Provincial CPC Committee, and the Gansu Provincial People's Government, our people of various nationalities launched a "double-increase and double-economy drive," deepened the reforms, further developed various types of combines, and stressed economic and other

results and the province's economic and social undertakings steadily developed. According to an interim estimate, the province's GNP last year was 15.77 billion yuan, up 12.4 percent from the previous year, and its national income was 13.25 billion yuan, an 11.9 percent increase. The major problems arising from national economic development were: Aggregate social demand still exceeded aggregate supply, prices continued to rise, and the growth rate of the province's industrial production was lower than the national average.

### I. Agriculture

In 1987, the province was hit by serious natural calamities. However, thanks to the measures adopted by the provincial party committee and provincial government, we were able to reduce the losses to a minimum and reap bumper harvests in spite of the serious drought and the rural economy continued to extensively develop. Last year, the total product of rural society was 9.55 billion yuan, up 19.7 percent from the previous year. Of this the combined output value of rural industry, building industry, transportation, and commerce increased by 28.4 percent. Together, their proportion to the total product of rural society rose from 29.3 percent in the previous year to 31.4 percent in 1987. Gross agricultural output value was 4.62 billion yuan, a 2.4 percent increase over the previous year.

The output value of crop cultivation was 2.95 billion yuan, 0.03 percent less than in the previous year. Except for grain, whose output decreased because of natural calamities, the output of the major agricultural products all increased. The output of various industrial crops, such as cotton, sugar beet, flue-cured tobacco, and fruits registered a fairly big increase.

The output of major agricultural products was as follows:

	1987	Percentage Change From 1986
Grain	5,294,000 tons	-3.9
Cotton	5,000 tons	38.9
Oil-bearing Crops (excl sunflower seeds)	264,000 tons	1.7
Of which:		
Rapeseed	90,000 tons	10.7
Sugar beet	563,000 tons	8.0
Flue-cured tobacco	4,000 tons	35.7
Fruits	272,000 tons	9.2

Animal husbandry continued to develop. Its output value was 1.04 billion yuan, a 4.1 percent increase over the previous year. The number of large animals in stock at year end continued to increase. The output of beef, mutton, milk, and sheep wool also increased. However, the number of pigs slaughtered and the number of pigs in stock at yearend both decreased.

The output of major animal products and number of livestock were as follows:

	1987	Percentage Change From 1986
Perk	248,000 tons	-0.3
Beef and mutton	58,000 tons	29.2
Milk	66,000 tons	15.1
Sheep wool	13,000 tons	11.6
Pigs slaughtered	4,142,000 head	-1.9
Large animals in stock at yearend	5,561,000 head	3.2
Pigs in stock at yearend	295,000 head	-7.9
Sheep and goats at yearend	10,188,000 head	4.4

Progress was made in the construction in and development of the "Two Xi [liang xi 0357 6007]" areas. In the Hexi areas, grain production grew steadily. In central Gansu, further efforts were devoted to preventing damage to the vegetative cover and rapid progress was made in the work aimed at helping the poor. In 1987, the agricultural output value of the Two Xi areas totaled 2.53 billion yuan, a 2.7 percent increase over the previous year, and their total grain output was 2,966,000 tons, 8 percent less than in 1986. Of this combined agricultural output value, 1.41 billion yuan was the gross agricultural output value of the Hexi areas, 5.4 percent more than in the previous year. Total grain output was 1,825,000 tons, an 8.8 percent increase over 1986.

Township and town enterprises developed rapidly. Their gross output value was 3.3 billion yuan, a 34.4 percent increase over the previous year, and their income totaled 2.8 billion yuan, up 32.2 percent from 1986.

Conditions for agricultural production improved. At the end of 1987, the aggregate power capacity of farm machines in use in the province reached 4.95 billion watts, a 7.6 percent increase over the previous year; the number of large and medium tractors was 22,000, a 2.5 percent increase over the previous year; the number of small capacity and hand-held tractors was 147,000, an 18.5 percent increase over the previous year; and the number of heavy duty trucks was 10,000, a 10.4 percent increase over the previous year. Last year, chemical fertilizer was in short supply and the total amount of chemical fertilizer applied was 234,000 tons (in terms of 100 percent efficiency), 6.0 percent less than that in the previous year. The total consumption of electricity in the rural areas was 1.12 billion kilowatt-hours, 3.9 percent less than in 1986.

In 1987, the economic situation in the rural areas was satisfactory. However, basic conditions for the development of agriculture and animal husbandry remained unsatisfactory, the problem of not having enough

reserved strength for future development remained serious, and the relationship between the supply of and the demand for means of agricultural production remained strained.

## II. Industry

In 1987, in spite of the restrictions on the consumption of electricity, the shortage of funds, and the strained supply of raw and processed materials, industry steadily developed. Gross industrial output value was 14.06 billion yuan, up 9.3 percent from the previous year and exceeding the growth target of 7.4 percent. If the gross industrial output value of villages and units below village-level is subtracted from the province's gross industrial output value, the growth rate was 8.0 percent. Of the province's gross industrial output value, the output value of state-owned industry increased by 6.2 percent, that of collectively run industry increased by 21.9 percent, that of the urban and rural collective industry increased by 30.5 percent, that of urban and rural individually run industry increased by 61.4 percent. Of the province's gross industrial output value, the gross output value of light industry accounted for 4.07 billion yuan, 17.2 percent more than in the previous year, and that of heavy industry accounted for 9.99 billion yuan, 6.4 percent more.

The output of 56 of the 100 major industrial products topped or met the production plans. These included household washing machines, synthetic rubber, woolen blankets, plate glass, synthetic detergent, and rolled steel. That of the other 44 products, including tape recorders, chemical fiber, sugar, pig iron, and steel, failed to meet the production plans mainly as a result of saturation of the market, the shortage of raw and processed materials, and inadequate electricity supplies.

The output of major industrial products was as follows:

	1987	Percentage Change From 1986
Yarn	17,000 tons	3.7
Cloth	66,047,000 meters	6.9
Cigarettes	209,000 cases	11.3
Sugar	47,000 tons	-10.3
Washing machines	400,000	88.0
Tape recorders	159,000	13.0
Television sets	184,000	30.8
Electricity	13.37 billion kwh	-8.7
Raw coal	12,848,000 tons	2.9
Crude oil	1,228,000	-2.2
Crude oil refined	4,200,000 tons	8.5
Steel	456,000 tons	26.8
Rolled steel	227,000 tons	14.2
Pig iron	733,000 tons	-3.5
Synthetic ammonia	327,000 tons	2.1
Chemical fertilizer	212,000 tons	9.0



	1987	Percentage Change From 1986
Chemical	552 tons	7.0
pharmaceuticals		
Plastics	73,000 tons	-6.9
Small tractors	16,000	30.1
Synthetic rubber	43,000 tons	9.4
Cement	3,234,000 tons	3.7
Plate glass	2,415,000	23.5
	standard cases	
Timber	546,000 cubic meters	-6.8

In 1987, the province's industrial enterprises were able to improve their economic results. Per capita labor productivity of state-owned industrial enterprises was 14,990 yuan, up 6.9 percent from the previous year. The total amount of taxes and profits collected from budgeted state-owned local industrial enterprises was 950 million yuan, up 5.5 percent from the previous year; the income derived from the sales of their products increased by 21.7 percent; the turnover period for their working funds was 16 days shorter than in 1986; the quality of 93.5 percent of the major industrial products, 1.3 percent more than in 1986, steadily improved; and 27.3 percent of the industrial products, 1.8 percent more than in the previous year, were quality products. New products were developed at a quickened pace. Last year, the province developed 553 new products. However, cost of goods manufactured rose and losses increased. The total cost of comparable products went up by 3.1 percent and the total amount of losses incurred in enterprises increased by 52.2 percent.

In 1987, to further deepen the enterprise reforms, the provincial government sent several thousand cadres to the countryside and factories to promote the lease system and the contract system. By the end of last year, 80.8 percent of the large and medium state-owned industrial enterprises under the provincial authorities, 43.2 percent of small enterprises (run on a lease or contract basis), and 47 percent of the state-owned local industrial enterprises had applied various forms of the contracted management responsibility system. Of them, 50 percent had applied the budgeted contract system [yu suan nei cheng bao—7315 4615 0355 2110 0545]. Forms of economic integration increased. Last year, 600 key economic integration projects were launched. They yielded a total output value of 540 million yuan and 80 million yuan in taxes were collected from them.

### III. Investment in Fixed Assets

In 1987, the province earnestly implemented the principle of "three guarantees and three reductions." Thus, it was able to go further in controlling and regulating investment in fixed assets and its growth rate was lower than that in the previous year. Investment in fixed assets

in the urban and rural areas totaled 4.58 billion yuan, 540 million yuan, or 13.4 percent, more than in the previous year. Of this sum, 3.84 billion yuan was investment in fixed assets by state-owned units, 230 million was investment in fixed assets by urban and rural collective units, and 510 million was contributed by individuals in the cities and countryside. Of the total amount of investment in fixed assets by state-owned units, 2.36 billion yuan went to capital construction, 23.5 percent more than in the previous year. Of this sum, 2.18 billion yuan went to projects covered by the capital construction assessment plan and this constituted 99.5 percent of the readjusted planned investment. Local investment accounted for 930 million yuan of this sum or 99.3 percent of the planned figure.

This distribution of investment improved and capital construction received more attention. The proportion of investment in productive construction projects to the total amount of investment in capital construction rose from 62.9 percent in the previous year to 68.5 percent, whereas that of investment in non-productive projects to the total amount of investment in capital construction dropped from 37.1 percent in 1986 to 31.5 percent. Investment in energy industry, transportation, and posts and telecommunications services increased. Investment in the energy industry increased by 25.7 percent and that in transportation, posts, and telecommunications went up 28.4 percent. The total amount of investment in agricultural projects, forestry projects, water works, and meteorological projects [nong lin shui qi tou zi 6593 2651 3055 3049 2121 6327] was basically the same as that in the previous year. Seventeen key construction projects, including the Northwest Iron Alloy Plant, the Zichuan Electricity and Irrigation Project in Jingyuan's Xingbao, the extension of the Gansu Wool Factory, the Zhangye Sugar Mill, and the Yuzhong Cement Plant, were completed and put into operation. The newly added production capacities included: 450,000 tons of raw coal, a daily output of 1,000 tons of high-quality lead and zinc ore, 30,000 tons of ferrosilicon, 200,000 tons of phosphate fertilizer, 100,000 tons of cement, 1,875 tons of white spirit, 20,000 tons of beer, 23,400 tons of white sugar, 2,500 tons of coarse wool, 2,000 tons of polyester filament, and another 50,000 mu of land under effective irrigation.

The pace of the technical transformation of enterprises quickened. The province's state-owned units invested 1.48 billion yuan in technical upgrading and transformation projects and in other fixed assets, 23.4 percent more than in the previous year. Of this, 1.35 billion yuan was invested in technical upgrading and transformation projects, 23.8 percent more than in 1986. A greater proportion of the investment in technical upgrading and transformation projects went to energy conservation projects and those aimed at increasing the variety of products than in the previous year. Last year, investment in the former type of projects increased by 96.5 percent and that in the latter types of projects increased by 96.8 percent.

The reform of the building industry developed in depth. Last year, state-owned building construction enterprises undertook 2,550 projects on the basis of the economic contract system. These projects covered sites with a total area of 4,015,000 square meters, or 83.7 percent of the total area of all sites. Of these projects, 822 were undertaken through tenders and they covered sites with a total area of 1,297,000 square meters, 32.3 percent of the total area of sites covered by contracts, or 27.0 percent of the total area of all sites. In 1987, the gross output value of the state-run building industry was 1.52 billion yuan and its labor productivity was 10,084 yuan.

#### IV. Transportation, Posts, and Telecommunications

In 1987, the province's communications and transportation departments strengthened organization and management by means of reforms and were thus able to handle more freight and transport more passengers. Last year, the total rotation volume of railroad freight was 24.67 billion ton-kilometers, a 6.3 percent increase over the previous year, and the total weight of freight transported to various destinations was 52.32 million tons, up 0.4 percent from 1986. The rotation volume of road freight was 1.46 billion ton-kilometers, up 19.6 percent from 1986, and the total weight of goods transported by road was 24,323,000 tons, a 13.7 percent increase over the previous year. The total volume of railroad passenger transportation was 8.38 billion person-kilometers, a 2.4 percent increase over the previous year, and the total number of train passengers was 11.73 million, 3.7 percent more than in 1986. The total volume of road passenger transportation was 3.5 billion person-kilometers, up 17.6 percent from the previous year, and the total number of road passengers was 63.2 million, 12.9 percent larger than in 1986. The volume of air passenger transportation was 202.53 million person-kilometers and the total number of air passengers was 178,000, 48.3 percent more than in the previous year.

The province's posts and telecommunications underwent a fairly rapid development last year. Transactions amounted to 57.99 million yuan, up 10.3 percent from the previous year. The number of telephone subscribers in the urban areas was 44,900, 4,800 more than in the previous year. The total amount of income earned by posts and telecommunications enterprises was 78.14 million yuan, up 17.9 percent from the previous year. However, the province's transportation, postal, and telecommunications services were still not suited to the development of the economy.

#### V. Supply of Goods and Materials and Energy Resources

In 1987, the demand for the major materials and goods used in production and for energy exceeded supply. However, thanks to improved market regulation, we were basically able to ensure a steady supply of them for production and construction and were thus able to improve economic results.

Last year, state-owned and collectively owned enterprises at county level or above consumed raw and processed materials and energy valued at 9.74 billion yuan, 17.1 percent more than in the previous year. The total value of raw and processed materials consumed was 24.1 percent higher than that in the previous year and that of energy consumed was 3.3 percent higher. Of the total amount of raw and processed materials and energy consumed, 88.2 percent was expended on production and 11.8 percent on capital construction.

Of the major raw and processed materials consumed, the consumption of rolled steel increased by 6.2 percent, that of cement decreased by 6.2 percent, that of timber decreased by 9.1 percent, and that of nonferrous metals and industrial chemicals increased slightly. The steady decrease rate of the consumption of energy and materials per unit product (chan pin dan hao wen ding jiang di lu 3934 0756 0830 5088 4489 1353 7100 0144 3764) for the production of 100 major products on which key enterprises were assessed was 88 percent (figure as published), 5.6 percent higher than in the previous year.

The province's consumption (including processing and conversion) of conventional energy was equivalent to 21,203,000 tons of standard coal, 1.9 percent more than in the previous year. Of this, 12,130,000 tons was the equivalent of the industrial enterprises' direct consumption of energy in the production of various products. The average amount of energy consumed for the creation of each 10,000 yuan of industrial output value calculated according to fixed prices was equivalent to 9.65 tons of standard coal. At a conservation rate of 3.5 percent, energy equivalent to 440,000 tons of coal was saved.

In 1987, the supply of electricity was rather strained. However, the province tried its best to use it sparingly and the results were quite remarkable. The industrial departments were able to save 490 million kilowatt-hours of electricity. The average amount of electricity consumed for the production of each 10,000 yuan of industrial output value was 4.3 percent smaller than that in the previous year. However, it was still the largest in the country.

The prices of raw and processed materials and energy went up by 10.2 percent and 10.6 percent respectively. Most of the enterprises could ill afford this. Raw and processed materials and energy accounted for 44.7 and 28 percent, respectively, of total production cost.

#### VI. Commerce and Prices

The urban and rural markets thrived. In 1987, the total value of retail sales in society was 8 billion yuan, a 16.6 percent increase, or an 8.6 percent increase if price increases are factored in, over the previous year. The total value of retail sales to the province's citizens increased by 17.6 percent and that of retail sales to social groups increased by 9.5 percent. The volume of the retail sales of means of agricultural production increased by

17.6 percent and that of the retail sales by peasants to the non-agricultural population increased by 29.5 percent. The volume of retail sales by state-owned units increased by 11.6 percent, that of the retail sales by collectively owned units increased by 11.1 percent, and that of the retail sales by individuals increased by 42.4 percent.

Pork, sugar, and a few non-staple foodstuffs, and some famous brands of household electrical appliances were in short supply. Otherwise, the supply of various commodities was quite plentiful. The volume of the retail sales of foodstuffs increased by 18.8 percent (or 6.5 percent if price increases are factored in), that of the retail sales of clothes increased by 14.8 percent, and that of the retail sales of tools, utensils, and expendables increased by 13.9 percent.

The reform of the commercial system was deepened in a gradual and step-by-step manner. By the end of 1987 over 80 percent of the large and medium state-owned commercial enterprises had applied the contracted management responsibility system, 31 percent of the state-owned commercial enterprises had become collectively run enterprises or collectively owned enterprises run by individuals on a lease basis, and 90 percent of the enterprises under the supply and marketing cooperatives had applied the internal management responsibility system. The number of commodity trade fairs increased from 1,192 in the previous year to 1,292 and the total volume of country fair trade was 1.4 billion yuan, up 30.6 percent from the previous year.

In 1987, the province's trade and economic relations with foreign countries developed rather rapidly. Last year, the total value (actual price) of goods purchased for export was 546.35 million yuan, 3.1 percent higher than the previous year, and the total volume of direct exports was \$126.6 million, up 25.3 percent from 1986.

Tourism has been developing rapidly in recent years. In 1987, the province received 31,000 foreign tourists, Overseas Chinese, and Hong Kong and Macao compatriots. The province earned 48.176 million yuan, 52.8 percent more than in the previous year, and \$7.82 million of foreign exchange, 44.2 percent more than in the previous year, from tourism.

Prices went up rather rapidly. The general retail price index in 1987 rose 7.4 percent over the previous year. The retail price index rose by 8.7 percent in the cities and by 6 percent in the rural areas. The price of food in general rose 11.6 percent; vegetables, 28.1 percent; meat, poultry, and eggs, 16.1 percent; aquatic products, 33.8 percent; fresh fruit, 23.5 percent; clothes, 3.1 percent; pharmaceuticals and medical equipment, 6.1 percent; daily necessities, 7.3 percent; and household electrical appliances, 9.4 percent. The average living cost index for both urban and rural dwellers rose 7.6 percent over the previous year, the living cost index for urban dwellers alone rose by 8.4 percent, and that for rural dwellers went up 6.5 percent. Some shops and individual vendors

wantonly invented excuses for increasing the prices of commodities in short supply and lied about the quality of their goods. Price management still needs to be further strengthened.

#### VII. Science, Technology, Education, and Culture

Last year, scientific and technological work was aimed at serving economic construction and outstanding scientific and technological achievements were made. In 1987, the province made 421 scientific achievements. Of these achievements, 10 were up to high international standards and 65 met high national standards. Altogether, 149 of them won provincial scientific and technological advance awards and 4 won national scientific and technological advance awards. Of all the results yielded by scientific research, 70 percent were popularized and applied, 10 percent more than in the previous year. A total of 171 awards were given to outstanding social science projects. The province's contingent of scientists and technicians continued to expand. Last year, the number of scientists and technicians increased by 11.1 percent and the number of social scientists increased by 8.4 percent.

The reforms stimulated the development of education. In 1987, the province enrolled 475 postgraduate students and 272 postgraduate students completed their studies. Regular institutions of higher learning enrolled 9,729 students and their total enrollment was 30,985 students, 851 more than in the previous year. The institutions of higher learning for mature students had a total of 13,369 undergraduate students and students of professional subjects. The secondary vocational or technical schools had a total enrollment of 45,515 students, 3,611 more than in the previous year. Of this number of students, 28,057 were enrolled in secondary technical schools, 2,640 more than in the previous year. The secondary vocational or technical schools for adults had a total enrollment of 25,168 students. The regular secondary schools had a total of 1,114,000 students, 25,000 more than in the previous year, and the primary schools had a total enrollment of 2.59 million students. Of the total number of school-age children in the province, 92.3 percent were enrolled. In the previous year, only 91.4 percent of them were enrolled. Special education for mentally retarded and physically handicapped children was further strengthened.

The development of cultural undertakings facilitated the building of the socialist spiritual civilization. In 1987, the province had 3,021 film projection units and they gave 538,000 showings of movies. The total number of performing art troupes in the province was 95 and they presented 15,000 shows last year. In 1987, the province had 99 mass art and cultural centers, 1,144 township and commune cultural centers, 80 public libraries, 25 museums, 12 radio stations, 14 transmitting (and relay) stations, 4 television stations, and 486 television transmitting and relay stations (including differential conversion stations [cha zhuan tai 1567 6567 0669]). Last year, the



province published 81.51 million copies of books and booklets, 30.13 million copies of magazines and journals of all types, and 290 million copies of newspapers.

#### VIII. Public Health and Sports

On the public health front, the province adhered to the principle of "the state, collectives, and individuals making simultaneous efforts," thus enhancing its ability to prevent and deal with various diseases and the spread of endemic diseases was basically kept under control. In 1987, the province had 4,164 medical and public health organizations, 2.6 percent more than in 1986. At the end of last year, there were 40,333 hospital beds in the province, 3.8 percent more than in the previous year, and a total of 64,783 professional health workers, a 5 percent increase over the previous year. This included 29,042 doctors, a 4 percent increase, and 10,793 senior and ordinary nurses, a 5.5 percent increase. Last year, there were 20,798 village-level clinics and 31,875 rural physicians and health workers in the countryside.

Last year, the province saw an improved performance in sports. In 1987, athletes from the province won four gold, four silver, and one bronze medal at the Sixth National Games, one of them broke an Asian marksmanship record, and their total marks were the 25th highest, 3 places up from their 28th placing at the Fifth National Games. In addition, they also won six gold medals in Asian tournaments and two gold medals in the World Marksmanship Tournament. Last year, mass sports activities developed, with 858,000 participants in the 4,454 sports meets organized by the counties, cities, and districts, and 678,000 people reached the "national standards for physical training."

#### IX. People's Livelihood

Living standards in urban and rural areas improved. A sample survey of some urban households showed an annual average per capita income of 870.5 yuan for living expenses, a 12.1 percent increase, or a 3.4 percent actual increase if price increases are factored in, over the previous year. However, because of price increases, the actual income of 20.8 percent of urban households decreased. According to a sample survey of some rural households, in 1987, the peasants' per capita net income was 302.8 yuan, a 9.4 percent increase, or a 2.7 percent actual increase, over the previous year. Of this per capita net income, 260.1 yuan was the income derived from production, 10.6 percent more than in the previous year, and 42.7 yuan was derived from other sources, a 2.6 percent increase over 1986. Of the total number of peasant households, 28 percent had a per capita net income of less than 200 yuan, 6 percent less than the 34 percent in 1986.

In 1987, the province's cities and towns provided jobs for 93,000 unemployed people. At the end of last year, the total number of staff members and workers was 2,153,000, 71,000 more than in the previous year. Of

this number of workers, 1,847,000 were employed in state-owned units, 56,000 more than in the previous year. The cities and towns had a total of 162,000 individual laborers, 34,000 more than in the previous year. In 1987, the total amount of wages for the province's staff members and workers was 3.38 billion yuan, an 11.8 percent increase over the previous year, and their average amount of cash wages was 1,605 yuan.

Urban and rural savings deposits increased rapidly. At the end of 1987, urban and rural savings totaled 4.73 billion yuan, a 34.5 percent increase over the previous year.

Housing for both urban and rural dwellers continued to improve. In 1987, 1.79 million square meters of housing was completed in the province's cities and towns and a total of 9.299 million square meters was completed in the countryside.

#### X. Population

According to a sample survey of 1 percent of the province's population and a follow-up survey, the birth rate in the province was 20.5 per thousand and the mortality rate 5.7 per thousand. The natural growth rate was therefore 14.8 per thousand. At the end of last year, the province's total population was 21,034,000, 323,000 more than at the end of the previous year.

#### Notes:

1. Some of the statistics in this communique are not final. All figures for GNP, national income, and the total product of society in the countryside cited in the communique are calculated in terms of current prices; the gross agricultural output value and the gross industrial output value were calculated in terms of 1980 constant prices; and the growth rate is calculated on comparable prices.

2. GNP refers to the added value [zeng jia zhi 1073 0502 0237] created by the material producing and non-material producing departments, excluding the value of products and labor consumed.

3. Total product of society in the countryside is the sum of the total output value of agriculture and the output value of collectively and individually run industries, building industry, transportation, and commerce in the countryside.

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Chinese 24 March 88 p 2

[Communique on the 1987 National Economic and Social Development Statistics Issued on 24 March 1988 by the Guangdong Provincial Statistics Bureau]

[Text] In 1987, under the leadership of the Guangdong Provincial CPC Committee and People's Government, the people throughout the province opened wider to the

outside world, deepened the reform, and launched a campaign to increase production and practice economy and to increase revenues and cut expenditure, thus creating a new situation in which industrial and agricultural production developed in a sustained, stable, and coordinated way, economic results improved considerably, the domestic market remained brisk, the export sector in foreign trade expanded fairly rapidly, and various social undertakings developed vigorously. According to initial calculations, the annual gross domestic product amounted to 84.4 billion yuan, an increase of 16.8 percent over 1986 and the national income came to 67.8 billion yuan, a 16 percent rise. The major problems in the development of the national economy were relatively big price rises, in particular, the prices of major non-stable products, and strained supply of industrial raw and semifinished materials.

### I. Agriculture

Production in forestry, animal husbandry, sideline occupations, fishery, and in diversified undertakings increased steadily. In 1987, agricultural output value totaled 38.987 billion yuan, a rise of 9.3 percent over the previous year, in which the output value of forestry, animal husbandry, sideline occupations, and fishery went up by 9.7 percent. In regard to the output of major agricultural products, the output of grain totaled 18.353 million tons, 1.302 million tons more than the previous year, thus halting the downward trend in grain output for the past 2 years. Bumper harvests were recorded in tobacco and tea production. Fruit production went up a good deal, an increase of 38.8 percent or 779,000 tons more than the preceding year, hitting an all-time high. Production of sugar-bearing crops, jute and ambary hemp, silk cocoons, and peanuts went down.

The output of major agricultural products was as follows:

	1987	Percentage Change From 1986
Grain	18,353,000 tons	7.6
Sugarcane	16,000,000 tons	-17.7
Peanuts	576,500 tons	-10.5
Jute, Ambary Hemp	21,800 tons	-39.9
Tobacco	40,700 tons	3.8
Tea	28,600 tons	9.6
Silk Cocoon	14,700 tons	-29.7
Fruit	2,788,000 tons	38.8

In forestry production, thanks to the institution of a county-led goal responsibility system in afforestation and greening work, the people's motivation for managing and protecting forests was further enhanced, thus encouraging the whole society to go in for forestry. The afforested land in 1987 was 8.837 million mu, 956,000 mu more than the previous year.

In animal husbandry production, with the exception of a decrease in the year-end number of live pigs, large animal numbers at year's end continued to increase. With the popularization of scientific pig-raising methods, the number of live pigs and slaughtered pigs and the output of pork still went up.

The output of major animal by-products, and livestock numbers were as follows:

	1987	Percentage Change From 1986
Pork	1,240,300 tons	6.8
Beef and Mutton	31,600 tons	17.9
Milk	47,000 tons	2.0
Pigs slaughtered	16,286,100 head	7.2
Cows (yearend)	5,524,700 head	2.7
Pigs (yearend)	22,211,300 head	-1.8

Fish farming areas continued to expand and there was a steady increase in production. In 1987, the output of aquatic products was 1,666,000 tons, up 13.7 percent from the previous year. This included 1,001,000 tons of marine products, up 15.1 percent, and the total catch of freshwater products increased by 11.7 percent to 665,000 tons.

The production of major tropical crops expanded quite a lot. Total output of rubber amounted to 188,300 tons, up 12.5 percent from the previous year, thus hitting a record high. Total output of sisal hemp was up 28.4 percent; coffee, up 36.5 percent; pepper, up 4.6 percent; and coconuts, up 36.1 percent.

Agricultural input increased and production conditions continued to improve. At the end of 1987, the aggregate power capacity of the province's farm machinery reached 11.544 billion watts, an increase of 10.4 percent over the previous year. The province had 303,200 small-sized and hand-held tractors, up 13.1 percent and 39,000 trucks for farm use, up 20.7 percent. The power capacity of irrigation and drainage equipment was 1.844 billion watts, up 14.8 percent. A total of 1,380,600 tons of chemical fertilizer (in terms of 100 percent effectiveness) was applied throughout the year, up 13 percent or 31 kilograms for each mu of cultivated land, an increase of 4 kilograms. The total consumption of electricity in rural areas was 3.774 billion kilowatt hours, an increase of 21.2 percent. However, there were relatively big rises in the prices of the means of production for agriculture; some water conservancy facilities were in bad repair; the problem of strength needed to back continued agricultural development remained unsolved; and the output of major agricultural products still failed to meet the needs of the development of the national economy and of the people's livelihood.

Rural reforms continued to deepen and the rural economy developed fairly rapidly. In 1987 the total income of township and town enterprises increased by 46.6 percent over 1986 and the gross value of social product amounted to 73.387 billion yuan, an increase of 22.4 percent. Of that sum, the total output value of rural industry, building industry, transport and communications, and commerce went up by 34 percent, bringing its proportion in the gross value of social product up from 44.5 percent in 1986 to 46.9 percent.

## II. Industry

Thanks to the increased investment in fixed assets in recent years and the gradually improved benefits from technological importation and transformation, industrial production continued to grow at a relatively high rate. The total industrial output value for 1987 reached 89.157 billion yuan, a rise of 31.8 percent against the previous year and the figure was 77.561 billion yuan if the output value of industries run by units at and below the village level was excluded, an increase of 29.8 percent. In the total industrial output value, the output value of the sector under the system of whole people ownership went up by 21.4 percent; that of the sector under ownership by the collectives was up 29.7 percent; that of the sector owned by units at and below village level went up 46.6 percent; that of the cooperative, individual sector in cities and towns was up 48.8 percent; and that of Sino-foreign joint ventures, cooperative enterprises, and wholly foreign owned enterprises was up more than 100 percent.

Light and heavy industries developed at an increasingly coordinated rate. Heavy industry was in good shape and its total output value for 1986 was 30.699 billion yuan, 29.8 percent higher than the previous year. The supply of electricity increased by a fairly wide margin and the strained electricity supply was considerably alleviated. Iron and steel, nonferrous metal, raw materials for the chemical industry, and other basic industries expanded steadily. Light industry continued to grow at a fairly rapid pace and its total output value for 1986 was 58.458 billion yuan, an increase of 32.7 percent from the previous year. There was a fairly big increase in the production of consumer goods for daily use, such as drinks, educational articles and sports goods, chemical fibers, and home electric appliances which were in great demand on the market, and brand-name, high-quality durable consumer goods.

Of 71 products listed in the assessment plan, targets were fulfilled or surpassed for the output of 59 products, including steel, raw coal, pig iron, chemical fertilizers, cement, bicycles, household refrigerators but targets were not fulfilled for the output of 12 products, including plastics, timber, synthetic ammonia, and plate glass.

The output of major industrial products was as follows:

	1987	Percentage Change From 1986
Bicycles	2,815,600	27.2
Sewing Machines	1,610,000	0.62
TV Sets	1,981,100	51.4
Of which:		
Color sets	1,334,700	44.4
Radios	3,537,900	136.8
Tape Recorders	4,741,600	2.2
Household Washing Machines	1,400,300	31.8
Household Refrigerators	796,400	84.7
Chemical Fiber	58,500 tons	53.5
Yarn	108,300 tons	24.5
Cloth	318.23 million meters	9.6
Crude Salt	828,300 tons	27.8
Cigarettes	1,069,400 cases	15.8
Beer	360,100 tons	41.5
Machine-made paper and paperboard	700,000 tons	20.6
Electric Bulbs	90,680,000	0.45
Synthetic Detergents	72,500 tons	8.2
Chemical Pharmaceuticals	13,900 tons	51.2
Sugar (including Raw Sugar)	1,867,800 tons	-3.0
Raw Coal	8,735,600 tons	1.9
Crude Oil Processed	8,207,400 tons	4.8
Electricity	23.015 billion kwh	21.3
Of which:		
Hydro-Electricity	7.158 billion kwh	2.1
Thermal-Electricity	15.857 billion kwh	32.5
Steel	892,800 tons	17.8
Rolled Steel	1,053,800 tons	17.5
Iron Ore (crude ore)	9,391,000 tons	13.4
Sulphuric Soda (100 percent effectiveness)	850,800 tons	16.2
Caustic Soda	93,800 tons	7.8
Farm-Use Chemical Fertilizer (100 percent effectiveness)	719,300 tons	11.8
Chemical Insecticides (100 percent effectiveness)	6,900 tons	-17.9
Cement	15,124,000 tons	18.2
Plate Glass	1,245,200 standard cases	76.9
Internal Combustion Engines (Sold as Commodities)	1,096,500 h.p.	12.1
Power-generating equipment	113,200 kw	90.9
Small-Sized Tractors	49,400	29.3

The province's capability to earn foreign exchange through export of manufactured goods increased. In 1987 the value of light and textile products, industrial and mining products, and farm and sideline products purchased by the province's foreign trade departments increased by 38.1 percent over the previous year and the export volume went up by 31.3 percent.



The quality and economic results of industrial products improved considerably. In 1987, 2 provincial products were awarded gold medals and 4 products silver medals for state-assessed high-quality products and 524 products were given the title of province wide high-quality product, 16.4 percent more than the previous year. Per-capita productivity of industrial enterprises under the system of ownership by the whole people which assumed independent business accounting was 20,422 yuan, up 17 percent over the previous year. The profits and taxes created by state-owned industrial enterprises in the state budget were 4.123 billion yuan, up 12.7 percent. The turnover period of working funds was cut by nearly 4 days. Losses among money-losing enterprises dropped by 12.6 percent. Energy consumption among industrial departments dropped. A total of more than 500,000 tons of standard coal were expected to be saved throughout 1987, with the energy conservation rate being 2.1 percent. However, there was a strain on the supply of energy and some raw and semifinished materials and comparable product costs rose by 9.1 percent from the previous year and accumulation of a small number of slow-selling products increased.

The reform of the industrial enterprise structure deepened steadily. According to statistics, 65 percent of state-owned industrial enterprises have introduced the director responsibility system and 89 percent of large and medium-sized state-owned industrial enterprises have instituted various forms of the contracted management responsibility system. Lateral economic associations developed gradually and 1,370 provincial industrial enterprises at the county level have joined the laterally associated economic organizations, involving 1.485 billion yuan in investment. The profits and taxes created by these organizations went up by 43.6 percent over the previous year, exceeding the province's industrial growth averages.

### III. Investment in Fixed Assets, Construction

The scale of investment by units under the system of ownership by the whole people was brought under control and its growth began to slow down. In 1987, the province's investment in society's fixed assets totaled 24.926 billion yuan, up 12 percent from the previous year. Of this total, 17.355 billion went to units under the system of ownership by the whole people, up 7.6 percent, which was lower than the previous year's 12.6 percent growth rate; 3.495 billion yuan to collectively owned units, up 26.5 percent; and 4.076 billion yuan was made by individuals, up 21.2 percent.

The investment structure was noticeably improved. In the total investment in fixed assets by units under the system of ownership by the whole people, 12.11 billion yuan went into productive construction, an increase of 14 percent against the previous year and the proportion of investment in this sector increased from 65.9 percent in 1986 to 70.2 percent and 5.131 billion yuan went into

nonproductive construction, a drop of 6.8 percent compared with the previous year. In capital construction, the principle of "three guarantees and three restrictions" was implemented in real earnest and 11.473 billion yuan was invested in this sector, up 1.1 percent from 1986. The investment in raw and semifinished materials and energy industries was 863 million yuan and 2.62 billion yuan, an increase of 26.7 percent and 17.6 percent respectively; that in cultural, educational, public health, and scientific research departments came to 1.05 billion yuan, an increase of 3.8 percent; that in light and textile industries amounted to 919 million yuan, a fall of 13.5 percent; and that in transport and posts and telecommunications totaled 1.765 billion yuan, remaining basically the same as last year.

Construction of large and medium-sized as well as key development projects in capital construction was completed fairly satisfactorily. An investment of 4.531 billion yuan was put into 70 large- and medium-sized as well as key development projects organized by the province and given rational construction schedules, constituting 94.6 percent of the total investment for the year as planned. The province's first 97-km-long, 500,000-volt transmission line (from Shajiao to Jiangmen) has been put into practical use and 18 large- and medium-sized projects including the Yunfu Troilite Mine and 27 single construction projects have been completed and commissioned, producing an additional 3.892 billion yuan in fixed assets.

Technological transformation of enterprises was quickened. In 1987, units under the system of ownership by the whole people invested 5.467 billion yuan in updating equipment, 20.3 percent higher than in the previous year. Of this amount, 1.812 billion yuan was invested in enlarging production capacity, up 22 percent; 662 million yuan in increasing the variety of products, up 5.6 percent; and 217 million yuan in raising product quality, up 40.9 percent. A total of 3,924 re-equipment and transformation projects were completed and put into operation throughout the year, with 4 of these projects using more than 30 million yuan in investment each, thus creating an additional 4.773 billion yuan in fixed assets.

The province added 15.754 billion yuan in fixed assets by capital construction and technological transformation. The newly added production capacities and benefits mainly included: power generating capacity of 1,268,840 kw at Plant A and Plant B in Shajiao, 1,057 km of 110,000-plus-volt transmission line, 3 million tons of troilite a year, 1,038,500 tons of cement, 3.52 million standard cases of plate glass, 48,600 tons of sugar, 45,200 tons of machine-made paper and paperboard, 35,400 cotton spindles, 95 km of newly built and commissioned railways, 99 km of newly built and commissioned double-track railways, 134 [pi chang gong li 4122 7022 0361 6849] km of long-distance electric cable, 159,800 inter-city telephone switchboards, 781 km of newly built microwave electric circuit, 1,605 service outlets, and 2,236,100 tons of running water a day.

Reforms in the building industry deepened. Construction enterprises at and above the county level throughout the province continued to improve the manager responsibility system. Various forms of the contracted responsibility system were applied to 12,300 projects, covering a construction area of 20.652 million square meters and constituting 89 percent of the total area under construction. Of this figure, 2,446 projects, covering a construction area of 5.359 million square meters and comprising 23 percent of the total were contracted through bidding. Reform promoted the development of their business. In 1987, the total output value of the province's building and installation enterprises increased by 24.6 percent and their per-capita productivity rose by 9.3 percent.

New advances were made in geological prospecting. A total of 173,300 meters of tunneling was completed in 1987. Seven major mineral-bearing areas were discovered and 15 reports were submitted to the departments concerned on large- and medium-sized mineral-bearing areas.

#### IV. Transport, Posts and Telecommunications

Further reforms were carried out in the transport industry, the construction of infrastructural facilities and technological revamping accelerated, and the carrying capacity boosted. The volume of passengers and cargo handled by various transport departments increased in an overall manner.

The volumes of passengers and cargo handled by various transport departments were as follows:

	1987	Percentage Change From 1986
Cargo	177.899 billion ton/km	4.0
Railway	14.255 billion ton/km	9.6
Highway	622 million ton/km	4.4
Waterway	162.341 billion ton/km	3.5
Air	54 million ton/km	20.0
Pipeline	627 million ton/km	4.8
Passengers	27.641 billion person/km	13.8
Railway	6.697 billion person/km	18.1
Highway	15.954 billion person/km	13.0
Waterway	1.925 billion person/km	7.3
Air	3.065 billion person/km	13.4
Volume of cargo handled at major ports	56.46 million tons	20.4

The economic results of transport departments were considerably improved. In 1987 the transport enterprises of the province generated an income of 1.13 billion yuan, an increase of 13 percent over the previous year; their profits rose by 34.2 percent; and the amount of profits handed over to the state as taxes went up by

30.3 percent. The economic results of transport enterprises under the jurisdiction of the Ministry of Communications were considerably raised. The income of the Guangzhou Railroad Sub-bureau from transport fees rose by 15.4 percent from the previous year and its per-capita productivity increased by 10.3 percent. The profits and taxes created by the Guangzhou Sea Transportation Bureau increased by 5.3 percent and its per-capita productivity grew by 4.5 percent. The profits and taxes created by the Guangzhou Oceangoing Transport Company went up by 33.2 percent and its per-capita productivity up by 9.8 percent.

Although the volume of transport and communications increased in an overall manner, the carrying capacity still could not meet the needs of economic development. Railroad, sea, and civil aviation transport services were still somewhat strained.

Posts and telecommunications developed fairly rapidly. In 1987, business transacted by these departments totaled 366 million yuan, up 36.1 percent from the previous year. The number of telephone users in urban areas at year end totaled 271,000, an increase of 46 percent from 1986 and that of telephone users in rural areas increased by 18.2 percent to 160,000. The number of telephone exchanges in urban areas totaled 416,000, an increase of 55.2 percent. In 1987, postal and telecommunications departments opened more new business lines in sound letters, express delivery, mobile communications, telex facsimile, and postal express mail. The economic results of postal and communications departments were improved considerably and their per-capita productivity increased by 30.2 percent from the previous year and the profits they handed over to the state as taxes rose by 100 percent or more.

#### V. Domestic Commerce, Supply and Marketing

The market, urban and rural, was brisk and prosperous. In 1987, the province's commodity supply on the retail market reached 50.6 billion yuan, an increase of 28.7 percent over the previous year or a gain of 15.2 percent after price changes were factored in. The total volume of commodities purely purchased by commercial units under the system of ownership by the whole people and supply and marketing cooperatives amounted to 44.646 billion yuan, up 30.8 percent. Total retail sales volume of social commodities for 1987 was 47.95 billion yuan, an increase of 23.8 percent or a real increase of 10.8 percent after price rises were factored in. In the total retail sales volume of social commodities, the retail sales volume of the means of production for agriculture was 4.75 billion yuan, up 28.3 percent and that of consumer goods came to 43.2 billion yuan, up 23.4 percent. Because some government offices, organizations, enterprises, and businesses were extravagant and wasteful, society's group purchasing power increased too drastically. In the whole year, social groups bought retail consumables worth 3.62 billion yuan, 31.4 percent more than the previous year.

The retail sales of all commodities increased. Retail sales in the state-owned sector grew by 18.2 percent; in the collective sector, by 18.3 percent, in the jointly owned sector, by 18.1 percent; and in the individual sector, by 45.3 percent; and a 27.7 percent rise was registered in transactions between farmers and non-agricultural people.

The retail sales volume of consumer goods, such as food, clothing, and daily necessities grew in an overall way. The retail sales volume of food increased by 26.3 percent from the previous year (a real increase of 11 percent after price rises were factored in), although there was a strain on the supply of some foodstuffs, such as meat and vegetables, their sales still increased considerably. The retail sales volume of pork rose by 7.2 percent against the previous year, that of fresh eggs, by 2.6 percent; that of vegetables, by 9.1 percent; that of aquatic products, by 20.5 percent; that of clothes, by 21.8 percent; and that of daily necessities, by 20 percent, of which the retail sales volume of television sets increased by 46 percent; that of household refrigerators, by 160 percent, and that of household washing machines, by 42 percent.

The commercial structural reform continued to develop in depth. By the end of 1987, 79.1 percent of the large and medium-sized state-owned commercial enterprises had implemented the contracted management responsibility system; 73.1 percent of small state-owned commercial enterprises were handed over to collectives or collective ownership or leased to individuals; and 98.2 percent of supply and marketing cooperatives carried out different forms of the internal contracted responsibility system. The number of urban and rural fairs increased from 3,300 in 1986 to 3,428 and their business volume in 1987 amounted to 12 billion yuan, an increase of 27.8 percent over 1986. Lateral economic associations in commerce spread continuously, numbering 949 in 1987 and their turnover in 1987 was 6.384 billion yuan, up 180 percent, with a profit of 232 million yuan.

A marked improvement was achieved in the economic results of state-owned commerce and supply and marketing cooperatives. In 1987, the per-capita sales volume of employees of state-owned commercial enterprises and supply and marketing cooperatives rose by 26.9 percent from 1986. Expenses for every 100 yuan in sales dropped by 7.7 percent in 1987 and profits rose by 18.6 percent. The turnover time of working funds was 21 days shorter than the previous year.

With the deepening of the reform of the materials structure, the market for the means of production continued to expand. In 1987, total value of production means consumed increased by 28.7 percent over 1986. The consumption volume of major materials continued to grow. Compared with the previous figures, the increase in the consumption volume of coal in 1987 was 22.5 percent; fuel oil, 5.4 percent; pig iron, 8.7 percent; steel products, 17.3 percent; cement, 6.7 percent; timber,

7.5 percent; seven nonferrous metals, 9.3 percent; sulphuric acid, 14.4 percent; soda ash, 7.3 percent; rubber, 5.8 percent; and of tyres, 18.4 percent. The province's materials departments registered steady increases in purchasing and sales. The total value of capital goods they purchased in 1987 increased by 35.1 percent over 1986 and that of capital goods they sold rose by 37.4 percent. The sales volume of trading centers for various means of production amounted to 706 million yuan, an increase of 69 percent. The turnover time of working funds of materials enterprises was cut by 16.6 days from the previous year.

Prices rose considerably. In 1987, the province's retail price index rose on the average by 11.7 percent over 1986 (December's rise was 18.5 percent more than for December 1986). The retail price index rose by 13.1 percent in urban areas and by 10.4 percent in rural areas. The rise in the price of foodstuffs was 13.8 percent; of meat, poultry, and eggs, 11.9 percent (December's rise was 29.9 percent more than for December 1986); of vegetables, 47.3 percent; of aquatic products, 20.4 percent; of household goods, 5.7 percent; of cultural and recreation goods, 8 percent; of medicine and medical apparatus, 6.8 percent; of clothes, 3.8 percent; of fuels, 18 percent; and of agricultural means of production, 14.2 percent, of which the price of chemical fertilizers went up by 17.5 percent and that of chemical insecticides, by 25.4 percent.

The cost of living index for employees went up by an average 12.8 percent in 1987.

The general purchase price level of farm and sideline products rose by 11.5 percent from 1986.

The main problems in market price management were that some enterprises jacked up the prices of scarce goods in disguised forms and quite a number of stores and individual peddlers raised prices in disguise by offering second-rate goods as first-rate or giving customers less than they paid for. Such phenomena were not uncommon.

## VI. Foreign Trade and Tourism

In foreign trade, the export sector continued to expand by a wide margin while witnessing a fairly big increase last year. The total volume of exports in 1987 was \$5.56 billion, an increase of 29.6 percent over 1986, of which trade exports totaled \$4.645 billion, an increase of 31.3 percent.

The export production system began to take shape. By the end of 1987, organizations engaged in the foreign economic relations and trade sector throughout the province had cumulatively undertaken 1,248 export production projects either by themselves or in cooperation with other units, of which 835 had been completed and put into production. Their annual export value amounted to \$1.27 billion, constituting 22.8 percent the province's



total. In 1987 alone, the province built another 390 export production centers, of which 252 were completed and put into operation. They played a stimulative role in turning the province's economy into an export-oriented one.

There was a marked improvement in the direction of using foreign capital and the proportion of productive projects became larger. In 1987, the province signed 7,024 contracts on using foreign investment, involving an outlay of \$2.031 billion on the part of foreign investors, of which \$1.226 billion has already been put to use.

In the amount of direct foreign investment, the proportion of investment in productive projects increased from 86.3 percent in 1986 to 94.3 percent. The number of export-producing enterprises engaged in productive projects grew. By the end of 1987, there were 5,193 Sino-foreign joint ventures, cooperative enterprises, and wholly foreign owned enterprises in the province, an increase of 23.8 percent over the preceeding year.

The province widened its economic and technological cooperation with foreign countries. In 1987, it signed 78 new contracts for overseas projects and labor services, an 81.4 percent rise over 1986, altogether worth \$35.09 million, an 18.3 percent rise. Business volume amounted to \$37.52 million, up 2.4 percent from 1986.

The tourist industry developed more and more vigorously with each passing day. The number of visitors entering the province in 1987 totaled 25.302 million, 18.2 percent more than the preceeding year. In 1987 the province already had 440 guesthouses and hotels for foreigners, providing 54,000 guest rooms. Throughout the year, the province received 4.87 million foreign visitors who came to travel, visit, or for other exchange activities. After conversion into renminbi, foreign exchange income earned from tourism was 2.044 billion yuan. The economic results of tourist departments were considerably improved. Their business income in 1987 was 4.1 billion yuan and their profits increased by 110 percent over 1986.

## VII. Special Economic Zones and Coastal Open Areas

The special economic zones in the province made continued efforts to improve investment environment, to increase their economic strength, and to make their economies more export-oriented, thus promoting economic development. In 1987, the Shenzhen, Zhuhai, and Shantou Special Economic Zones invested 3.886 billion yuan in capital construction, 2.7 percent less than in 1986. Thanks to the readjustment of investment direction, capital construction was still augmented and the investment environment continued making improvement.

In the Shenzhen Economic Zone, the construction of such key development projects as the elevated railroad bridge in the city proper, the Wutong road tunnel, the

inter-city program-controlled telephone capacity enlargement project, the floatation-method glassworks, and power plants were already completed and that of large projects, such as deepwater ports at Mawan and Yantian, was under way. Municipal administrative facilities were improved in a coordinated way. In the Zhuhai Special Economic Zone, the 20,000-line, program-controlled telephone system and the 37,000-kw thermal power plant were completed and available for use and new advances were made in urban administrative construction. In the Shantou Special Economic Zone, the construction of factory buildings and supporting facilities in the Longhu industrial district was stepped up. The three special economic zones continued to gain momentum in using foreign capital and imported more productive, export-oriented projects. In 1987 they signed 520 contracts with foreign investors on using foreign investment and actually used \$473 million in foreign investment. In Shenzhen, 95.3 percent of the direct foreign investment was used in industrial projects and in Zhuhai, 86 percent was used for that purpose. The economy of the three special economic zones developed fairly rapidly. Their total industrial output value in 1987 amounted to 5.711 billion yuan, up 67.6 percent from the preceeding year and the export volume in their foreign trade totaled \$1.62 billion, up 120 percent.

The Guangzhou Economic and Technological Development Zone began to take shape. In 1987 it signed contracts on the establishment of Sino-foreign joint ventures, cooperative enterprises, and wholly foreign owned enterprises, involving \$25.26 million in foreign investment, an increase of 43 percent over 1986 and the amount of foreign investment actually used rose by 72 percent. At the end of 1987, some 50 industrial enterprises had started operation. Their total industrial output value for the year was 298 million yuan, an increase of 350 percent and their total export volume amounted to \$31.73 million, an increase of 70 percent.

The Zhanjiang Economic and Technological Development Zone further improved the investment environment. By the end of 1986, it had completed and commissioned 29 industrial projects. Its total industrial output value for the whole year was 105 million yuan and its industrial and trading enterprises earned \$10.07 million. In 1987 it signed nine contracts with foreign businessmen on the use of foreign investment and actually used \$420,000 in foreign investment.

In accordance with the development principle of "agriculture serving processing industry, processing industry serving trade," the Zhu Jiang Delta Economic Open Zone readjusted its economic structure, with international markets in mind, further moving in the direction of a production system capable of earning foreign exchange through exports. By the end of 1987, the economic open zone had set up 242 key industrial satellite towns, an increase of 110 percent over the preceeding year and undertaken 492 export-producing projects, an increase of 52.8 percent.

### VIII. Science, Technology, Education, and Culture

Reform of the science and technology structure was deepening. Science and technology played an increasingly noteworthy role in economic and social development. In 1987, there were 486,300 scientific and technological personnel in units under the system of ownership by the whole people (not including units under the jurisdiction of the central authorities in Guangdong). Among them, 310,600 were in the natural sciences and 175,700 in the social sciences. By the end of 1987, there had been 284 independent natural scientific research and technological development institutions under the system of ownership by the whole people and at and above the prefectural and city levels and 12 social scientific research and technological development institutions of the same category throughout the province. In 1987, 174 scientific research findings were awarded provincial-level prizes for scientific and technological advances. Of them, 1 was awarded a special-class prize; 3 a first-class prize; 44 a second-class prize; and 126 a third-class prize. Nineteen scientific research results won state prizes for scientific and technological advances and 2 won prizes for invention. The social and economic results of the "Comprehensive Survey of Natural Resources of the Coastal Belt and Polders of Guangdong Province," a project that won a special-class prize for provincial-level scientific and technological advances, and of the "Study of Quick Breeding Technology for Chinese Prawns in the Zhu Jiang Estuary," which won a first-class prize were the most outstanding. The province invested 5.94 million yuan in 74 scientific research projects in the field of electronic information, bioengineering, and new materials. In 1987, the province carried out 114 key projects for tackling major technical problems (including projects left unfinished from the preceeding year's plan and to be finished this year) and spent 1.5 million yuan subsidizing 161 projects undertaken by the provincial science and technology commission's scientific foundation, which was founded for the main purpose of supporting applied research and some basic research. Gratifying results were achieved in the "spark plan" designed to invigorate the rural economy. In the last two years, 421 projects were arranged and carried out in this regard, thus playing an important role in promoting the transformation of the rural structure of production and the development of the commodity economy. Mass technological activities were carried out extensively. The technology market was brisk. In 1987, 2,148 technological contacts of all types were signed, altogether worth 94.42 million yuan. A total of 377 scientific research and production associations were set up, resulting in 372 development projects worth 214 million yuan.

Patent work made quite good progress. During the year, 825 patent applications were examined and 182 were approved, an increase of 120 percent and of 130 percent respectively over the previous year.

Meteorological departments made fairly prompt and accurate forecast on disastrous weather and attained

better social and economic benefits through various service means, with the formation of a weather warning system.

Higher education developed steadily. In 1987, the province enrolled 1,521 new postgraduates. There were 4,452 postgraduates in study, 615 more than the preceeding year and 823 postgraduates completed their degrees. Ordinary institutions of higher learning admitted 30,700 new students for their regular and special courses. There were 92,800 students studying in such institutions, 8,600 more than the preceeding year. Graduates from such institutions numbered 22,000.

The restructuring of secondary education continued. There were 304,900 students studying in various vocational and technical senior middle schools (including 27,400 students in skilled worker schools), 58,200 students more than the previous year. The proportion of these students in the total number of students in senior middle schools increased from 37.6 percent last year to 42.6 percent.

Elementary education was considerably strengthened. In 1987 there were 2,441,200 students studying in junior middle schools; 7,664,100 pupils in primary schools, 73,900 more than in the preceeding year. The attendance rate of school-aged children rose from 98.45 percent in 1986 to 98.69 percent. Preschool education made fairly big advances. Kindergartens had an enrollment of 1,369,200 pupils, 234,400 more than in the preceeding year. Some progress was also made in developing education for blind, deaf-mute, disabled, and mentally retarded children.

Adult education developed in readjustment and consolidation and made considerable improvement. Institutions of adult higher education had an enrollment of 111,900 new students; secondary vocational adult schools, 111,700 students; secondary adult schools, 99,800 students; and elementary adult schools had an enrollment of 653,400 students, of which 12,000 studied in literacy classes.

Cultural undertakings were prosperous and mass recreational activities rich and colorful. The year 1987 witnessed the production of 10 feature films and the distribution of 190 new films (full-length films) of various kinds. In the province there were 5,238 movie-projection units of one kind or another, 155 performing art troupes, 123 cultural centers, 118 public libraries, 106 museums, and 147 archives. The province sponsored its first folk art festival. The feature film "Sun Yat-sen" produced by the Zhu Jiang Film Studio won nine awards, including the "Hundred Flower Award," the "Golden Rooster Award," and the "New Period 10-Year Movie Award." In addition, there were also 56 broadcasting stations, 14 medium-wave radio transmitting and relay stations, 27 television stations, and 23 television transmitting and relay stations, each with a capacity of 1,000 watts or

more. During the year, 1.819 billion copies of newspapers, 153 million copies of magazines of various kinds, and 289 million books were published.

#### IX. Sports, Public Health, and Environmental Protection

Crowned with splendid achievements, the province's sports undertakings developed vigorously. In 1987, the province's sportsmen won 14 championships in world tournaments and broke and surpassed 11 world records on 16 occasions; won 19 championships in Asian tournaments, broke and surpassed 13 Asian records on 22 occasions; in the Sixth National Games, they made achievements both in the performance of sports competition and in the building of spiritual civilization and won five firsts in the number of records, of total points, of total gold medals, and of citations, and in the building of spiritual civilization. Mass sports activities became more lively. A total of 10,700 sports meets of various kinds were held throughout the province, with 2,227,000 people participating in them. An additional 4,707,700 people reached the standards set by the National Physical Training Program, up 7.5 percent over the previous year. The enthusiasm of the community for running sports undertakings ran high. With the funds raised through many channels, great achievements were made in the province's construction of stadiums and gymnasiums.

Health and medical conditions were further improved. At the end of 1987, the province had 124,500 hospital beds, up 5 percent from the previous year and 212,100 professional health technical workers, up 2.3 percent. The total included 77,400 doctors, up 2.4 percent and 43,500 head nurses and nurses, up 4.8 percent. New achievements were scored in preventing and controlling various contagious and chronic diseases. The total incidence of contagious diseases declined 16 percent compared with the preceeding year. New advances were made in preventing and controlling local diseases. Water supply improvement in rural areas was accelerated. Difficulties in seeking medical treatment in cities and shortages of doctors and medicines in the countryside were considerably alleviated.

Gratifying results were made in environmental protection work. At the end of 1987, 676 old enterprise throughout the province had completed their pollution treatment projects and 92 percent of enterprises undertaking large and medium-sized new, transformation, and expansion projects had undergone thorough environmental effect assessment procedures according to the stipulations set by the provincial government. The rate of implementing the "three simultaneous (san tong shi 0005 0681 2514)" principle was 91 percent. The environmental quality of the province was basically stable and the air environmental quality in cities remained in the grade-B category of the state-set air environmental

quality standards. Most of the targets of water quality of major rivers reached the grade-B category by the state-set water environmental standards.

#### X. Living Standards

The average income of urban and rural residents continued to increase. In 1987, the total wages of employees all over the province amounted to 13.344 billion yuan, an increase of 1.976 billion yuan or a 17.4 percent rise over 1986. According to a sample survey of urban and rural households, in 1987, the average income of urban residents available for living expenditure was 1,233 yuan, an increase of 19.4 percent or a real gain of 5.8 percent after price rises were included and the average per-capita income of the peasants was 645 yuan, an increase of 18 percent (of which 563 yuan was netted from production, a rise of 19.5 percent) or a real gain of 11.1 percent after price hikes were factored in. However, since the economic development of various localities and enterprises was imbalanced, the level of real income of some families of city dwellers, affected by price hikes, dropped. The average per-capita income of 8.8 percent of the total peasant households remained under 300 yuan.

Employment increased. In 1987, in cities and towns, 448,000 jobless people were given jobs and the province had 8,205,400 employees by the end of the year, 343,100 more than the previous year. Of the figure, 583,900 people were employed under a contract scheme by units under the system of ownership by the whole people, an increase of 149,000 people. The number of self-employed people in cities and towns amounted to 481,000, an increase of 96,200 from the end of last year.

The savings deposits of urban and rural population increased by a relatively wide margin. By the end of 1987, residents' bank savings amounted to 33.375 billion yuan, a 42.4 percent rise over the preceding year.

Housing for both urban and rural dwellers further improved. In 1987, 31.94 million square meters of housing floor space was built in rural areas and 12.196 million square meters in urban areas.

Social welfare services continued to improve. In 1987, the province had 1,275 social welfare establishments providing for 19,753 people. Urban and rural collectives provided for 138,000 elderly, disabled, and orphans. Eight hundred and forty-five welfare enterprises in society provided for 8,927 elderly, disabled, and orphans and 674,000 families who were suffering great hardships in both urban and rural areas were able to get relief, and 376,000 families who were suffering great hardships were given aid, of which 12.7 percent had become better off. Relatively great progress was made in the work of providing disaster relief and helping poor families become better off in old revolutionary bases areas, minority nationality regions, and border regions.



## XI. Population

At the end of 1987, the province had a population of 64,472,200 people, 1,008,900 more than the previous year or an increase of 1.59 percent.

According to calculations based on the data gathered in a sample survey of population changes, the province's birth rate in 1987 declined from 22.25 per thousand in 1986 to 22.18 per thousand, its mortality rate dropped from 5.78 per thousand to 5.74 per thousand, and its natural growth rate came down from 16.47 per thousand to 16.44 per thousand. The slight drop in the natural growth rate during a baby boom period reflected the successes in family planning work.

### Notes:

1. The gross domestic product, national income, total industrial and agricultural output value, and total rural product of society listed in this communique are calculated in terms of 1987 prices and the rates of growth are calculated according to comparable prices.

2. Gross domestic product refers to the end-use products and labor value created by the material and non-material sectors, not including the value of intermediately consumed products and labor.

3. Total rural product of society includes the total output value of agriculture and of collectively and privately owned rural industries, building industry, transport service, and commerce.

## FINANCE, BANKING

### Issuing Treasury Bonds To Meet National Deficits

40060199 Beijing JINGJI CANKAO in Chinese  
16 Feb 88 p 4

[Article by Yu Yuyan [5038 1342 4282], Industrial and Commercial Bank of China: "Treasury Bonds Should Be Issued to Make Up Deficits"]

Deficits have continued to occur in China in recent years, and these have been made up by advances and overdrafts from banks, which has to a considerable extent exacerbated the conflict between total demand and total supply. This has already become an important factor affecting economic stability. The author will merely discuss some views regarding China's current situation and means of dealing with deficits.

The following are common ways of making up deficits. The feasibility of these approaches for China and their impact on the national economy would vary.

1. Using accumulated surpluses. This is the most ideal and best approach, but China's surpluses were used up long ago. This approach has already become impossible.

2. Adding new types of taxes and raising tax rates. China's economy has only just been invigorated, so the potential of this approach is not very great. However, so long as tax laws are not violated, appropriately adding new types of taxes and raising rates needs to be earnestly studied by the concerned departments to determine whether this would be possible.

3. Taking advances and overdrafts from banks. In recent years the scale of bank credit and the money supply have increased greatly every year. Loans issued greatly exceed loans recovered, and the currency put into circulation greatly exceeds the currency withdrawn. The loans and currency issued have both exceeded the needs for economic growth, so that total social demand is too great and is not declining. The financial departments taking advances and overdrafts from banks is a major factor causing this situation. This approach should therefore no longer be used to make up deficits.

4. Issuing special treasury bonds to make up the deficits. At present, this approach is a feasible one, vis-a-vis the other methods. The financial departments take the subscribers' money and apply it to making up the deficits; the state takes on the debt and pays interest, repaying the capital at maturity.

I believe this approach has the following advantages:

It does not increase the absolute money supply, only the relative amount of currency, since the frequency of turnover of some currency (savings converted to bonds) is increased. If this money is used for investment, in the short term the money supply is somewhat increased, but in the long term capital is increased and supply is increased, which is beneficial for the balance of supply and demand.

Compared with bank overdrafts, this approach somewhat eases the supply-demand conflict. Making up deficits by this approach has been recommended and hoped for for many years by economic theorists and financial experts.

Issuing special treasury bonds to make up deficits involves the problem of who will subscribe, which directly affects whether the deficits can be effectively made up. If the Central Bank is allowed to buy the bonds, there is no substantive difference between this and having the financial departments take advances and overdrafts from banks, as it also means the supply of currency must be increased, which means the absolute money supply is increased. If the specialized banks are allowed to subscribe for all the bonds, the Central Bank will then tighten the money supply. The Central Bank has already raised the deposit reserves for the specialized banks and has blocked its loans to those banks. Therefore, money is very tight for the specialized banks. If these banks are allowed to buy all the bonds, the tight situation will necessarily worsen, and if it is not properly handled, there will not be enough funds for normal

production. Finally, the Central Bank still has to loan money to the specialized banks, thereby increasing the absolute money supply. But it is feasible to allow individual citizens, entities, collectives, state-run enterprises and social groups to subscribe. Although this also requires squeezing some of the funds of the specialized banks, it is worthwhile overall.

If bonds are issued to make up deficits, care should be taken to solve the following problems:

Once the specialized bonds are issued, the financial departments should no longer be permitted to take advances or overdrafts. Otherwise the stage will be set for deficits to be increased. To this end, the financial departments should set aside the appropriate reserves. Expenditures outside the plans should certainly be limited to the amount of these reserves.

Determining the maximum amounts and interest rates for the special bonds. First, the ability to shoulder the burden should be considered. Second, overall balance must be considered; the west wall should not be torn down to patch the east wall. The most basic issue is whether the amount of bonds issued causes an expansion not matched by the commodity supply and whether it exacerbates the supply-demand conflict. That is, the amount of bonds issued should be measured in the light of the macroeconomic climate: the appropriate relationship between total supply and total demand, viewed in terms of the currency in circulation. At the same time, the subsequent ability to repay capital and pay interest must also be considered.

Deficit bonds must not be treated as budgetary income for the financial departments. Basically, deficit bonds are utilized to make up imbalances in budgetary revenue and expenditure, so as to even them out. If deficit bonds are treated as normal budgetary income and expended, the result is prior use, which necessarily exacerbates the subsequent problem of financial balance.

Deficit bonds should be put into circulation. They should be issued by the financial departments, with financial institutions as agents; exclusive rights should not be given. They should be issued without apportionment; rather, their interest rates should be appropriately raised, and subscription should be voluntary. The bonds can be circulated and freely traded. Deficit bonds are like any other bonds, subject to the uniform control of the Central Bank.

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#### **Need For and Ways To Adjust the Credit Structure**

40060210 Beijing JINGJI RIBAO in Chinese  
1 Mar 88 p 3

[Article by Zhao Haikuan [6392 3189 1401]: "Readjustment of Credit Structure Discussed"]

[Text] Stabilizing prices and the value of the people's currency and ensuring sustained, stable growth in the national economy are important goals we now face in

our economic tasks. To achieve these goals, we must continue strengthening macrofinancial control, further tighten credit and the money supply, readjust the loan structure, and apply our limited credit funds where they are most needed and can achieve the best results for the nation's economic construction.

#### **Significance of Readjusting Loan Structure**

Experience over the last several years has shown that the central bank, through macrofinancial readjustment, i.e., by controlling the total amount of loans and the total money supply, can regulate the scale of economic construction and the rate of economic growth for the entire country, and play a very important role. However, in China's present circumstances, if the bank merely performs macrofinancial readjustment, concentrating primarily on total loans and total money supply while not positively and effectively readjusting the loan structure, we will be unable to achieve anticipated results with macrofinancial readjustment. For example, when a tight macrofinancial policy is instituted and credit and money supply are strictly controlled, enterprises that should receive increased loans experience a loss of economic growth because there are no credit funds with which lending can be increased. When a loose macroeconomic policy is applied, enterprises that should not receive support get increased loans, since loans are easy to get, which may lead to a major increase in credit and the money supply and a loss of macrofinancial control.

The work done in 1987 on loans and the money supply was a culmination of our experience over the last several years. We are beginning to pay attention to readjusting the loan structure, cutting back in most areas but ensuring that key projects are met, and we have been more successful at achieving macrocontrol over increases in credit and the money supply; microeconomically, support for invigorating the economy has stimulated stable economic growth. With the rate of increase in industrial and agricultural output value far exceeding the previous year's levels, increases in the scale of credit and its rate of increase are both lower than the previous year; the amount of currency in circulation has also been kept within the levels stipulated by the state.

It is very clear that readjusting the credit structure is the only way to guide macrofinancial policy into the microeconomic realm. Macroadjustment is necessary for microeconomic work. The banks must therefore set readjustment of the credit structure as one of their most important tasks.

China is a socialist country with a planned commodity economy, in which the role of market mechanisms must be subject to certain restraints. Particularly now, in the midst of economic system reform, the extent to which enterprises and banks are operated as enterprises is still quite limited, and within the economy, self-adjustment is still not possible. China still has some enterprise managers who focus mainly on increasing output and

expanding enterprise scale, while paying little attention to cost and profit. Some factory directors and managers are concerned only that the authorities not shut down, suspend, merge, or transfer their enterprise; even if they have not made a profit in ages or are even suffering losses, they still strive to obtain bank loans to keep the enterprise going. Under these circumstances, it is essential that the proportional relationships in China's current economic growth be forcefully readjusted from the outside by banks and other departments. This is why China's banks, in addition to being responsible for macrofinancial adjustment, must also handle structural readjustments in the microeconomic realm.

Readjustment of the credit structure requires that the principles of differential treatment and selective support must be truly applied to bank loans. That is, when macrofinancial control is strengthened, total loans are strictly controlled, and the money supply is tightened, enterprises that are well managed, whose products are in demand on the market, and that have good economic results can be vigorously supported; when the scale of loans is expanded and the money supply is loosened, enterprises that are poorly managed, whose products do not sell, and that waste their capital do not receive support. The difficulty here is with the latter type of enterprise and whether loans to them can be strictly controlled, whether loans to them can be reduced and halted, and whether old loans can be recovered when macrofinancial control is strengthened, or whether loans can continue to be strictly controlled when a loose macrofinancial policy is instituted. If loans to these enterprises can be strictly controlled, there will be funds for increasing loans to well-run, profitable enterprises whose products sell, so there will no longer be any difficulty.

#### **Applying the Principles of Differential Treatment and Selective Support**

In order to see that well-run enterprises whose products are demanded on the market grow as quickly as possible, and to limit or halt production in poorly run enterprises whose products are not selling, basically, or in the long term, more reforms of the system reform are needed to truly promote enterprise-style management of enterprises and banks, to strengthen the role of the market, and to equip enterprises and banks with self-regulating mechanisms. When that happens, the state will strengthen its macrofinancial control and adopt measures to reduce the scope of loans; then each commercial bank will then automatically set more stringent loan conditions and raise interest rates, and enterprises will then consider whether and how much to borrow according to whether a profit can be produced in the light of the new bank loan conditions and interest rates. Then the central bank will merely use macrofinancial regulation and focus on total loans and total money supply to be able to readjust the structure through market mechanisms and automatic selection in the microeconomic realm. While market mechanisms are still not fully in

place, in addition to adjusting total loans and total money supply, the state must take measures to readjust the loan structure so as to streamline the economic structure. To this end, consideration should be given to adopting the following measures: 1. *The credit funds needed to purchase goods that must be controlled by the state should be managed separately.*

Grain, cotton, and other such goods fall into this category. These goods are indispensable to the lives of the masses and to production, and hence the state must control them. The credit funds needed for them are not mingled together with other credit funds. In this way, when macrofinancial control is strengthened and the overall scale of credit is cut back, the nation's commercial banks can first use the credit funds they already control in other areas, retaining the funds needed to purchase grain and cotton. When grain and cotton are purchased, the central bank is forced to give them more loans, thus raising the ceiling on the nation's total loans. Therefore, in order to be able to control the total scale of loans, and truly implement the principles of differential treatment and selective support, the credit funds needed to purchase and set aside grain, cotton, and other goods urgently needed by the state must be managed separately. That is, the credit funds needed for these goods come in the form of special central bank loans to the nation's commercial banks, provided when the purchase is made and recovered as these goods are gradually sold off. They are managed separately and not mixed together with other credit funds. The balances on these loans made by the central bank to the nation's commercial banks and by those banks to enterprises must always correspond to the total grain, cotton, and other goods in stock.

Once loans for grain, cotton, and other goods are managed separately, the central bank provides credit funds to the nation's commercial banks only according to their capacity for macrofinancial control, and the commercial banks issue loans only according to their own available funds. This is a complete change in the central bank's control over the funds needed by the commercial banks and the commercial banks' control over the funds needed by enterprises. 2. *Clear and Specific Loan Standards Should Be Quickly Formulated*

In addition to clearly specifying and announcing, in accordance with economic growth and market conditions at different times, which systems and enterprises producing which products should be vigorously supported, which systems and enterprises producing which products should be suitably supported, and which enterprises producing which products should not be supported, we should also formulate principles capable of differential treatment and preferential support for a system or enterprises producing certain products. These principles must be simple, clear, and easy to manage. Consideration may be given to controlling loans according to interest and tax rates on the enterprise's funds. This would mean announcing national average fund



interest rates and tax rates for each system or for enterprises producing each type of commodity; those enterprises able to reach the average interest and tax rates or above would receive positive support; those unable to reach these rates would receive limited support. Losing enterprises would receive no support. Our country is so large that conditions vary from place to place; when loans are controlled according to interest and tax rates, there may be some differences. Economically undeveloped regions, especially old, ethnic-minority, border, and poor regions should be subject to less stringent control criteria. For these regions, the overall national situation could be looked at and loans controlled according to local average interest and tax rates. Enterprises unable to meet not only national average interest and tax rates but also unable to meet local average rates would in principle not receive support. In this way grass-roots banks would have a firm lever not only for controlling loans but also in examining how loans are being controlled.

Of course, a firm lever also requires credit personnel who use it stringently. Until market regulating mechanisms are in place, credit personnel must adhere to the overall view and represent the state's interests as a whole, controlling the issue and recovery of loans according to macrofinancial principles. In particular, when national and local interests do not coincide these personnel must not side with the interests of the locale where they live and rather than controlling loans according to macrofinancial policy. Otherwise the state's macrofinancial policy can not be truly implemented. 3. Fully Exploit the Lever Effect of Interest Rates

Interest rates on bank loans should be suitably raised. This is not only because current interest rates are too low, so that, if the inflation factor is considered, only the capital can be guaranteed on bank loans; it is also because it promotes the principle of differential treatment. With the extent to which enterprises operate as enterprises on the increase, after interest rates are raised it will be possible to relax controls on loans. Thus well-managed, profitable enterprises whose products sell will have no trouble paying the interest; since the loans will be easier to get quickly, the enterprises can develop faster. Poorly run enterprises whose products do not sell, that are unprofitable or even losing money and that have trouble paying the interest may be given interest subsidies if the local party government or relevant departments believe them to have a future; if the authorities do not believe they have a future and are unwilling to subsidize the interest, then their loans will have to be reduced or halted, and their scale of production cut back or even shifted or halted.

## FOREIGN TRADE, INVESTMENT

### EC Urged To Grant PRC Most-Favoured-Nation Status

OW0505142688 Beijing XINHUA in English  
0626 GMT 5 May 88

[Text] Paris, May 4 (XINHUA)—The European Parliament yesterday approved a report on European cooperation and economic relations with China calling on European Council and EC members to grant China most-favoured nation status and let more Chinese products flow into the European market.

The report said that Europe could help China's economic development through technical and financial cooperation and supports China's return to the General Agreement of Tariffs and Trade.

The report noted that members of the European Council and China have a lot of potential for mutual goals and benefits despite their different social and economic systems.

### Why Is Foreign Trade Encountering Such Difficulty?

40060184 Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese No 8,  
29 Feb 88 pp 9-12

[Article by Liu Ji [0491 0679]: "Why Is China's Foreign Trade Encountering Such Difficulty?" First two paragraphs of text is source-supplied introduction.]

[Text] Since China instituted its policy of opening to the outside, import and export figures have risen every year. Yet, foreign trade has developed slowly. There are many options for accelerating the pace of reform of the foreign trade system, some of which are now being implemented. On 4 February the Xinwen Bao of Shanghai published Liu Ji's article, "Why Are Others Coming On Strong While We Advance So Painfully?" which trenchantly set forth the problems China is having in developing her foreign trade and pointed to a change in mentality as the basic problem in foreign trade reform.

The market concept seems to be elementary for foreign industrial and commercial enterprises, but for China, which has long had a natural economy and a product economy, establishing the market concept requires an economically painful process of change. Liu Ji's article may cause people to reflect and help foreign readers to understand the issues and problems facing foreign trade reform in the interior. We reprint the article here, slightly abridged for reasons of space, and with a new title: "Why Is China's Foreign Trade Encountering Such Difficulty?"

### Something To Make People Wake up

Our failure to really see foreign trade take off is not due to people not wanting our goods. Foreign businessmen now do want our goods, but we most often do not have goods to supply them. We have known about this highly contradictory situation for several years now, but we still have not turned market conditions into trade. The basic problem in changing this is changing our mentality, and a different mentality requires different reforms.

Recently I came across something that should really wake people up. A young man from Shanghai who had gone abroad at his own expense for two months returned not long ago as the representative of a foreign businessman, carrying many orders for goods:

Standard international containers: as many as are available. Enamel-grade titanium dioxide: as much as is available. Surgical and household plastic gloves: as many as are available. Baseball caps: as many as are available. Small scarves: 200,000 dozen. Inlaid glass marbles: 15 tons.

Having run all over Shanghai, however, he was unable to find these goods and had no choice but to set off resentfully to try his luck elsewhere. He said that some official in the foreign trade department said, "We've known for years that these goods are in demand abroad."

Our failure to make foreign trade a thriving business is not due to no one wanting our goods. Otherwise how could an ordinary youth have been able to bring back such huge orders after leaving the country for only two months.

With so many foreign businessmen ordering goods, why is it that we do not have the goods that would enable us to do business? Why is it that foreign trade officials have known for years, have had plenty of time, and yet they are unable to turn the market situation into trade?

This is a great contradiction in China's foreign trade.

The reality creating this contradiction of course involves many management systems that need to be reformed, but I believe the basic problem lies in our mentality. Different concepts require different reforms. Foreign trade involves participating in international market competition; without a concept of the modern commodity economy, it is absolutely impossible to participate in international market competition.

The most basic concept in the modern commodity economy is the market concept. What specific concepts of value are involved in the modern concept of a commodity economy?

### Market Determines Industry

Industry is established according to a given theoretical framework; starting from the market, it represents two different concepts. Starting from the market means that, whatever the international market demands, we must produce it, and hence we establish that particular kind of foreign-trade industrial structure. The problem is that if we market and export only what we have, foreign trade becomes a subjective intention of our own wishful thinking.

Marketing is a science, and export-oriented economies rely first on science. The current problem is that we often do just the opposite.

Under the influence of a natural economy and a product economy, we have long been self-sufficient and had a full range of types of industry, evenly developed and forming their own system. In this situation, foreign trade becomes the subjective intention of our own wishful thinking. Whatever we have, we market and export. Striving to export more electromechanical products in order to change China's foreign trade export structure is undoubtedly a good intention; the problem is, does the international market need our electromechanical products? If these products are exported, we should produce large quantities of whatever electromechanical products are demanded on the international market, but if the market does not want them we should then do less developing, shifting, or halting of production. How could this lead to the contradictory situation described above, in which "People want what we don't have, and what we have, no one wants"? The understanding of market demand is an objective thing; it does not change according to people's whims. If you do not adapt to it but rigidly require that people adapt to your industrial structure, then your foreign trade is merely a matter of trusting to chance.

Don't people always talk with great relish about Taiwan's foreign trade being bigger than that of the entire Chinese mainland? What Taiwanese products are number one in the world market? According to 1985 statistics:

Solar mirrors, plastic bags, hats, decorative light bulbs, sweaters, cloth shoes, umbrellas, tennis rackets, electric fans, sewing machines, bicycles, and computer screens, among other things, numbering more than 20.

Just what complete industrial structure is there here? And what amazing electromechanical products?

I am certainly not opposed to exporting electromechanical products, but I believe we must develop export products and industries according to international market demand. Consumer demand is constantly changing, and the market is always brimming with all sorts of opportunities; it is the responsibility of managers to be good at discovering these opportunities promptly. Wang

Juzhen [3769 5468 3791] invented the cerium-tungsten polar lamp, without radiation and with useful life and performance far exceeding those of similar international products. From the viewpoint of modern commodity-economy market concepts, this is a terrific opportunity to generate foreign exchange, and an international patent should be taken out as quickly as possible, maintaining full technical secrecy, after which we should invest quickly in mass production to corner the international market. Every year China and Shanghai have hundreds of award-winning products. If there were many that could be developed like this, and sold around the world, what would happen? Unfortunately, our economic management departments are following the old path of a product economy; funds are all used up quickly in the plans, and construction projects are all determined early on in the plans. So these inventions that would compete so well on the market just win their prizes and that's it. The concept of value remains unchanged, while we miss many excellent opportunities.

Of course, we are a big country, with a domestic market of a billion people; we can not get by without a relatively complete, evenly developed national production system. But if we wish to get into the world market, we must respond to international market demand and break through this completeness and evenness, adding on an incomplete, uneven export industrial structure.

#### Quality Is Determined by the Market

There is no such thing as abstract, absolute product quality. Quality is tested in the market, and the market does not follow any one pattern: markets in different levels have different standards, and markets in the same region also have gradations of quality. When the international market demands high-quality products, our products may temporarily be unable to meet those standards, and we need not necessarily try to compete. The international market also involves a good deal of consumption of lower-grade goods, which we are able to provide. We should use our strengths where they are most needed.

"Our products are of poor quality, unable to compete in the international market; that is why foreign trade isn't able to take off." This is a theory we hear often, and product quality is of course important. But there are different gradations in the concept of value regarding product quality.

We have many products that have reached advanced international standards. Why is it that we still can't sell them?

The quality of many of our mainland products does not match those from Taiwan, Hong Kong, and South Korea. Even when the quality of similar products is comparable, they meet different fates. For example, the folding umbrellas produced in Shanghai are of better quality than those from Taiwan, yet Taiwan's goods sell

well throughout the world, while ours do not. Why? As everyone knows, Taiwan still has a great many copycat products that are circulating around the world (including on the mainland), while no one inquires about our genuine products. Why?

Ultimately, there is no abstract, absolute quality; it is always spoken of in reference to the market. Quality is tested by the market; it is not determined by any national standard or inspection team. The market does not follow any one pattern. Markets in different regions have different standards, and markets in the same region also have gradations in quality. There are markets with high buying power, and markets with low buying power; some markets demand high-precision superior products and secondary-precision superior products, and there are markets for ordinary products. Consumers in the economically developed regions of Europe and America have strong economic capacity, and the private automobile is well developed. If it happens to rain, people buy an umbrella on the street, and discard it when it stops raining. What are we to do with the finely crafted, durable folding umbrellas made in Shanghai? The quality of Taiwan's goods precisely meets the demand in this market. If the international market demands high-quality products, and we are temporarily unable to provide them, we need not necessarily try to compete. There may be some consumption of lower-grade products in the international market (including the United States), and these we are able to provide, so we should focus our strengths where they are most needed.

#### Market Share Is the Criterion

The concept of market value lies not in how many types of products are exported, but in the market share of a product. We have long vaunted the fact that we export thousands of different products. In fact, some of these products are bought by foreign countries merely to learn about our technology and strengths, so that they have no commercial significance.

Taiwan's umbrellas cannot be considered an especially terrific product, yet their share of the world market is 40 percent (1985 statistic), generating hundreds of millions of dollars in foreign exchange. Isn't this better than the "precious little fragments" that we export?

Switzerland is a developed country with two main exports: watches and precision machine tools. Coca Cola is just a beverage, but each year it has profits of billions of dollars. Which of our exports can compete with this?

There are too many examples to mention. In fact, this argument does not require any great knowledge of economics. The key lies in the concept: are you trying to export products, or are you trying to make money?

Since our goal is market share, we must firmly establish two specific concepts:



The first concept is that development of new products and exporting require catering to offices, homes, and individuals in order to achieve a broad base and high volume. Then high profits can be achieved even with a low profit margin. Japan understands this thoroughly; its home appliances dominate the world.

The second concept is that we must concentrate our forces on establishing brand names, developing brand names, and using brand names to take a share of the market. Only when market share reaches a certain level (for example, 1 percent) can an export be said to be commercially significant, and only then should it be included in national statistics.

A famous brand is worth more than exports of several hundred different products.

China's experience has shown the value of famous brands in the international market, such as Meilin canned goods and Tsingtao Beer. Since we already have several famous brands, we should invest heavily in these enterprises so they can greatly increase their production and continue to expand their share of the international market. We should continue to invest in expanding the Tsingtao Brewery, rather than putting up new breweries in every province, city, district, and county. If other breweries are able to meet the quality demanded, they should be tested and purchased by the Tsingtao Brewery and exported under the Tsingtao label. This is the modern commodity economy concept.

England's Rawling brand bicycles are known worldwide. China exports many different brands of bicycles, and no one has ever heard of them. Everyone is looking for his own little profit, so of course no one gets very far. This is the damage caused by the concepts of the natural and product economies.

#### **We Must Not Avoid Advertising**

Advertising is market information. Consumers must constantly be stimulated, strongly stimulated. Advertising once or twice is tantamount to not advertising. It must be done every day, month after month, year after year, and everywhere. Of course, our advertising expenditures have their limits, and we should focus them on investing in advertising for famous brand products and on creating brand name products so as to create a benign cycle.

French cosmetics are famous worldwide. When I visited Western Europe, I found out that their cost structure is as follows: advertising costs, 60 percent; equipment renewal, 20 percent. Coca Cola has long been known around the world, yet still today one finds eye-catching advertisements in every city, village, and roadside around the world. According to figures published in foreign trade magazines, in economically developed countries 5 to 6 percent of national income is spent on

advertising every year. What does this figure imply? These countries spend only around 3 percent of their national income on scientific research, which will give some idea.

Moreover, some of us, starting from the concepts of the natural and product economies, believe it wasteful to spend this money. It would be better to import equipment and improve quality rather than to advertise. But if commodity production is intended to capture a share of the market, and consumers are not allowed to get the information, how will they be able to buy your things? Advertising expenditures are used to buy information, and information is a strategic property in a modern society.

Of course, we are now poor, and we have limited funds for advertising. This also has an effect on the problem of market share discussed above. Exporting thousands of different products, and then spending a little bit of money to advertise these thousands of products, produces no results. We should concentrate our advertising funds on large-scale advertising for famous brand products and for creating famous brand products, in which case we might have enough money.

Of course, advertising is not limited to the mass media. For example, product packaging can also provide a good deal of valuable information. Many foreign food packages list the nutrients, and this is a sort of integration of science and advertising, which greatly raises the value of advertising.

#### **Small Products, Big Markets**

Many products that have technical, social, and political value do not necessarily have any great commercial value, while many small products manage to achieve a broad market solely by being "small." We should exploit our strong points and avoid our shortcomings, allowing small products to accumulate funds for high technology, and allowing high technology to constantly improve small products.

In order to take part of a market, the criterion must always be commercial value in that market.

In terms of specific products, commercial value certainly can not be entirely the same as technical, social, or political value. Many high-precision superior products and many products with tremendous technical, social, and political value do not necessarily have any great commercial value. On the other hand, many seemingly unremarkable products may be capable of generating large amounts of foreign exchange. This requires an extremely far-reaching change in mentality.

Taiwan has more than 20 products, most of which are not particularly high-grade or expensive, that are its mainstays for generating foreign exchange. Foreign sales of tennis rackets alone generate more than \$150 million

in foreign exchange for them. Plastic garbage bags used in restrooms in the economically developed countries are viewed by small producers as "petty and low" products, and some of us may also feel that exporting such things may cause us to lose some of our honor as the great "Central Kingdom," but Taiwan has this market and each year earns 100 million yuan from it.

The yangtao is a type of wild fruit eaten by monkeys in China that no one takes seriously. In cities it is only used as a decorative flowering tree in courtyards. However, New Zealand imported the yangtao, did some selective breeding, cultivation, and research, and ended up with a highly nutritious fruit that has become a staple export industry, generating more than \$100 million in 1985. It is estimated that by 1990 this will reach \$400 to \$500 million. When this news reached China, stands of wild yangtao were felled in many areas of China, but to date there is not even the shadow of an industry.

Why have these small products been able to create such large markets? Basically, small products have a unique advantage: because they are small, they can be used in offices, homes, and by individuals, so that they achieve naturally wide coverage. So long as they have a genuine potential for commercial value, small products can often be turned into a major item.

Especially because China is a developing country moving out into the world among many powerful countries, it cannot compete in the area of high-precision superior products. However, the demand for small products in the market is so multifaceted and varied that the opportunities may be said to be limitless. And the developed countries often are unable or unwilling to deal with small products, so we have an excellent opportunity for development.

However, our traditional concept of value simply does not have a high opinion of these small products. Since we have not put much effort into exporting small products, we of course have not achieved much of a market for them.

That is why small products have also led to small dealers. Small products often comprise the scope of activity of small and medium enterprises; in terms of one enterprise, business can not amount to much, but there are thousands of small and medium enterprises, and if they pooled their output, they could generate large amounts of foreign exchange. However, the product-economy concept and its operational mechanisms are not adapted to small business.

#### **Develop Products According to Consumer Psychology**

Low-priced, attractive goods do not necessarily sell well. "Chinese goods are cheap" is not a compliment. Scarce goods sell at a high price; this is the concept of the modern, commodity-economy market. Given the psychological makeup of Westerners, with their search for

novelty, I propose exporting more items with an ethnic flavor, such as embroidered slippers and embroidered purses. Foreign trade requires folklorists and psychologists.

Export products, whether large or small, are offered for consumption on the international market. We must therefore give full importance to and understand the consumption psychology of foreign consumers and meet their psychological needs in order to make headway.

Consumer psychology is a value concept. When small producers look around them, they always view everything in the light of their own value concepts.

The cloth shoes exported by the Chinese mainland are made of good materials with skilled workmanship; they are of solid quality and will last for 1 or 2 years. They cost only a few dollars a pair, yet no one buys them. But the cloth shoes produced by Taiwan and South Korea are made of very thin silk or satin, embroidered with very vulgar flowers; the workmanship is coarse, yet they sell well on the market at more than \$10 a pair. How can this be? There is a completely different consumer psychology at work in the international market. Why do Westerners want to wear Chinese cloth shoes? They love the novel and unusual and are always seeking fashion. They wear these shoes on holidays or at parties, and after wearing them two or three times they no longer want them; they want a new style. So what good is the fine material and skilled workmanship?

Dumping large quantities of cheap goods is an outmoded concept of value.

Scarce goods sell at high prices. This is the market concept of the modern commodity economy.

Market concepts also include a nationality problem. The cultural background of different nationalities in different international markets must be taken into account with products. At the same time, there is a problem of propagating Chinese culture. Under many circumstances, the more something has a national flavor, the more significant it is worldwide. Embroidered slippers are viewed by modern Chinese as very vulgar, but Westerners think they are exotic; these slippers satisfy their novelty-seeking psychology. By the same token, our many very fine furs and leathers done in imitation of Western fashions do not sell well; imitations always make the tiger look more like a cat, and there is always a time lapse. On the other hand, the "coarse" embroidered peasant-wife purses and embroidered knapsacks made by ethnic minorities are much appreciated by foreign tourists.

#### **The Marketing Network Is Key**

All multinational corporations now set up hundreds of branches and subsidiaries worldwide, along with thousands of outlets, forming an information nervous system

and sales delivery system resembling a spider's web, with hundreds of millions of dollars in profits rolling in. China has exceptionally advantageous conditions for establishing a sales network; the tens of millions of overseas Chinese and foreign citizens of Chinese origin constitute a great trump card. We must resolve to establish a worldwide sales network within 5 years; this is the only way to get the export-oriented economy successfully off the ground.

We have long utilized the Guangzhou Trade Fair to conduct our foreign trade. When China was closed to the outside world, this was an effective approach. By nature, however, it is a sort of county fair for small producers to "get into the market" under a natural economy. This is simply inadequate. In recent years we have begun to establish offices abroad, and this is progress. For many reasons, though, we have still not gotten out of the Guangzhou Trade Fair mold, which is just a government office for greeting clients.

Large-scale socialized production, the modern commodity economy, and the world market require a powerful sales network; they are organically interdependent.

The "three great creations" of the personal automobile, the assembly line, and the sales network, belong to the Ford Motor Co., which was the world's largest firm at one time. Ford vigorously developed its sales network, and by 1912 it had 7,000 dealers selling Fords, which pushed its share of the market over 50 percent. When the Toyota Motor Co. rebuilt after the war, it was pressured by many foreign and domestic competitors. How did they succeed? They adopted a measure unique in the history of modern enterprise—they established a specialized Toyota sales company outside of Toyota Motors. They also opened a training school for Toyota sales personnel to train qualified sales staff. By 1977, Toyota had established 252 sales outlets throughout the country, with 2,880 offices and 285,000 salesmen, with their market share reaching about 40 percent. In the famous words of the head of Toyota, Kamiya Shotaro, "Business can thrive only through dealerships, and that's the only way for the factory to prosper." "First, the customer; second, a dealership under contract; third, the plant" is his pet phrase. In order to produce a dishwasher, one Japanese firm took two main measures. First, they purchased several dishwashers from their competitors, then did reverse engineering on them in the lab in order to design a dishwasher better than those of the competitors. Second, they surveyed their competitors' sales network in order to develop a newer and more effective one. Now what major multinational does not have hundreds of branches and subsidiaries, and thousands of outlets?

Large foreign companies select their general managers from among their sales and management personnel, not without good reason.

However, for years we have been calling for our enterprises to "get out there, squeeze in, get out in the world," but we still have not expended much effort on establishing a sales network. If we do not wake up and change our mentality, the "great international cycle" will become just another fine slogan.

China has several great advantages for setting up a sales network. One of these is the tens of millions of overseas Chinese and foreign citizens of Chinese descent. The problem is that we need an effective policy and a major organizational effort. In the last few years many mainland compatriots have moved abroad. They are deeply attached to their homeland, and they may not necessarily be having an easy time of it working in some foreign company. If they can be organized, they would make a good sales network. An agency system could be set up. The agents would drum up business around the world, provide market information, take orders from foreign clients, and market Chinese products. For each successful deal, a commission would be given according to international practice. Which brings us back to the young man from Shanghai mentioned at the beginning of this article: wouldn't he make a good agent?

13322

#### Joint Venture With Hong Kong Partner Ends in Acrimony

HK0305031588 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English  
3 May 88 p 1

[By Cynthia Suen]

[Text] The Hong Kong partner of a Sino-Hong Kong joint venture yesterday claimed she was being ousted from the company because she would not take orders from Beijing.

Sabina Wan, the managing director and general manager of Hong Kong registered Sino On-Line Corp, in which she holds a 30 percent stake, took the unusual step yesterday of airing her grievances in public.

She told a press conference that her Chinese partners, the Beijing branch of China Electronic Import/Export Corp and Beijing Computer Industry Corp, had been trying to force her to relinquish her shareholding.

She also accused them of trying to sack her from her management position.

A representative of the mainland Chinese partner and chairman of the company, Zhu Da, who was at the press conference, confirmed that Miss Wan had been sacked from her posts with the firm.

He stressed that it had been done legally but did not give reasons for her dismissal.



Both Mr Zhu and Miss Wan said they were prepared to go to court to resolve the issue.

"They sacked me because they felt I didn't listen to what they wanted me to do with the company and that I failed to listen to their orders," Miss Wan said.

Miss Wan said she had obtained a U.S.\$5 million back credit in Hong Kong last year on her personal guarantee for Sino On-Line, and that so far more than \$2.5 million of the facility had been used.

Miss Wan said disputes between herself and the Chinese parties emerged a few months after the company started operation when she would not agree to increase the number of non-professional Chinese representatives in the company and made complaints about over-spending by staff from China.

On March 24, following a reorganization of the Beijing Computer Industry Corp, the new chairman of Sino On-Line called for a meeting of directors where he proposed the dismissal of Miss Wan as managing director and requested her to sell all her shareholding for \$150,000 to a party named by them.

The next day the Chinese parties called a halt to all business transactions, according to Miss Wan. She said she personally stood to lose \$21 million which had been drawn on her guarantee for use by Sino On-Line.

"I am now willing to sell out my interest in the company to the Chinese if they are willing to shoulder the liabilities of the loan," she said.

She said she would only sell her interests in the company if the value of her shareholding were assessed by auditors and if the company would shoulder the bank liabilities.

Mr Zhu said Sino On-Line would not take responsibility for the bank loan personally guaranteed by Miss Wan.

Mr Zhu said he would call a press conference soon to explain his position.

Sino On-Line, which mainly exports computer parts to China, is 55 percent held by two mainland companies, the China Electronic Import-Export Corp's Beijing branch and the Electronic Office of the Beijing Government. The two Beijing-based firms appointed Mr Zhu as head of the Hong Kong company.

The company was incorporated in Hong Kong last year and has been involved mainly in the trading of computer and electronic equipment between China and foreign countries.

Net profit for the year ended March 31 was \$500,000 and Miss Wan expected it to increase to \$5 million this year should there be normal business.

**Patent Law Implementation Strengthened**  
*HK0905053888 Beijing CHINA DAILY in English*  
9 MAY 88 P 2

["Economics and Finance" column by staff reporter Tian Ying: "Patent Law Helps Draw Investment"]

[Text] At the same time as China is improving its investment environment to attract foreign funds, the country is strengthening the implementation of its Patent Law to protect technology transferred from foreign investors to upgrade its industry, an official of the Patent Office of China said.

China badly needs advanced technology if it is to achieve the four modernizations, he said. "But only when their technology is protected, will inventors be willing to apply for patent rights in China."

Economic development around the world has entered a new phase, with commodities now being divided into two categories—material commodities and technological commodities.

With the development of science and technology, the technology trade is taking an increasingly important role in the country's construction, he said.

China's Patent Law, which came into effect three years ago, has sparked an invention boom. Both domestic and foreign inventors have been rushing to protect their inventions in China.

The patent office had received 66,599 patent applications between April 1, 1985 and the end of March this year, Ge Bo, deputy director of the office, told China Daily.

A total of 15,350 of the applications were from foreigners.

Foreign applications were mainly from Japan, the United States, West Germany, Britain and Holland. Japan ranks first, with 4,435 applications registered in China by the end of March. The United States ranks second with 4,372 applications registered. But applications from the U.S. have been increasing faster than those from any other country since the second half of 1986.

The U.S. submitted more applications than any other country last year, Ge said.

The office also has issued 13,671 patent rights in the last three years. A total of 12,719 domestic applicants have received patent rights. Only 952 rights have been granted to foreigners as most overseas applications are for technology inventions which usually take about three years to be tested and approved. Most domestic applications are for designs and utility models which take less than a year to be tested and officially approved, Ge said.

Most applications for patent rights involved technology badly needed by China such as technology to develop agriculture, forestry, animal husbandry and the fishery and electronics industries. Foreign applications focused on technology related to computers, semi-conductors and information storage.

the patented technology has brought greater economic results for China's enterprises, Ge said. According to statistics taken in 15 provinces and cities, including Beijing, Shanghai, Tianjin and Liaoning province, patented technology has brought about 1.6 billion yuan in production value and added 214 million yuan to taxes and profits.

China now has 99 patent management organizations and 400 patent agents including four handling patent applications from overseas. Two are in Hong Kong.

#### **Customs Services Beefing Up**

*OW0905151188 Beijing XINHUA in English  
1003 GMT 9 May 88*

[Text] Beijing, May 9 (XINHUA)—China's customs force is being increased to deal with the push to develop coastal areas, an official from the General Administration of Customs says.

The official, in an article in the weekly journal "OUTLOOK", said 40 new offices will be set up and more than 1,000 new customs officers hired this year.

There are now 162 customs offices in China with a total staff of 20,000.

Liu Wenjie, 42, chief of the Kowloon custom, told the weekly that some customs procedures should be streamlined and more bonded factories and warehouses built to meet the needs for coastal development and foreign trade reform.

Around 28 million people passed through the customs point last year 45 percent of the total number of people entering and leaving the country.

The Gongbei Custom Chief Yang Junsheng said his office is facing a challenge in dealing with the opening, step by step, of over 100 islands in the Zhuhai Special Economic Zone.

Qin Huizhong, chief of the Xiamen custom, said localities in the southern Fujian triangle area want to set up customs under the administration of the Xiamen custom since they are all open to the outside world.

## **TRANSPORTATION**

#### **Qingdao-Hefei Air Route Opened**

*40060262 Jinan DAZHONG RIBAO in Chinese  
18 Mar 88 p 1*

[Text] Regularly scheduled flights between Qingdao and Hefei officially went into service on 17 March. The flights are same day, roundtrip service on every Monday and Thursday.

This air link will greatly promote the development of Anhui and Shandong provinces' tourist industry, lateral economic ties, exchange of qualified personnel, information transmission, etc. The route is 625 km long and flight time is 1 hour 20 minutes.

#### **New Air Route Links Cities**

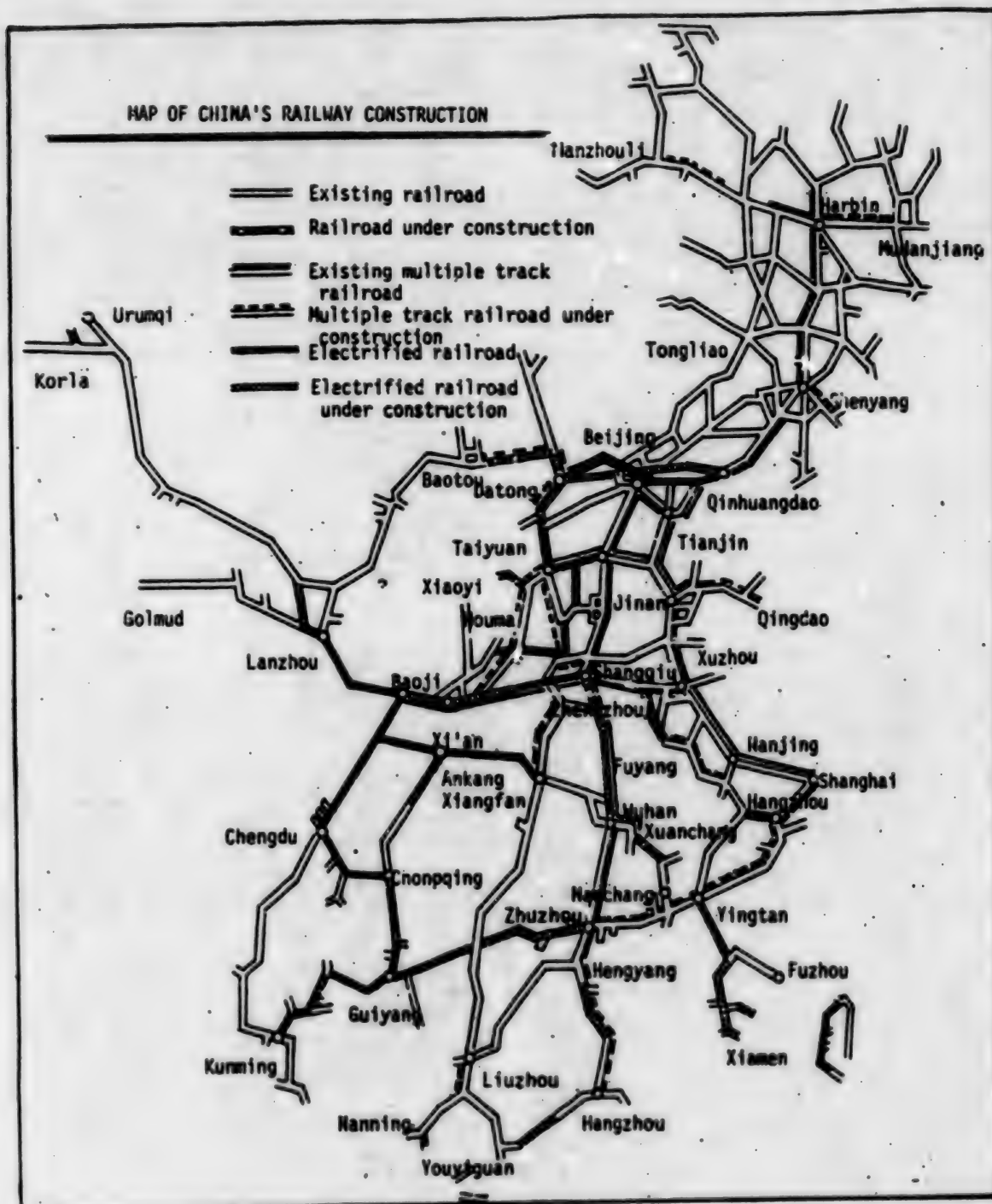
*OW0105212188 Beijing XINHUA in English  
1016 GMT 1 May 88*

[Text] Hangzhou, May 1 (Xinhua)—Xinjiang will open a new air route linking its own capital, Urumqi, Hangzhou, capital of Zhejiang province, and Xi'an, capital of Shaanxi Province.

Beginning as of tomorrow, there will be a return flight every Monday, said Civil Aviation officials here.

#### **Railway Construction**

*40060253 Beijing TIEDAO ZHISHI [RAILWAY  
KNOWLEDGE] in Chinese No. 1, 28 January 88 p 3*





## AGRICULTURE

### Yunnan Feed Industry

40060252a Kunming YUNNAN JINGJI BAO in Chinese 4 Mar 88 p 1

[Excerpt] In 1987 the output value of the feed industry in Yunnan Province exceeded 100 million yuan, a 37 percent increase over 1986; the province produced more than 240,000 tons of mixed feed, a 33 percent increase over 1986; and after-tax profits were more than 11,090,000 yuan.

### Anhui Aquatic Output

40060252e Hefei ANHUI RIBAO in Chinese 7 Mar 88 p 1

[Excerpt] In 1987 gross output of aquatic products in Anhui Province was 240,700 tons, a 16 percent increase over 1986.

### Anhui Hybrid Rice

40060252f Hefei ANHUI RIBAO in Chinese 9 Mar 88 p 2

[Excerpts] In 1987, the area sown to hybrid rice in Anhui Province was 10,143,000 mu, and accounted for 31 percent of the rice area. Gross output was 4.475 billion kilograms, and accounted for 38 percent of rice output. Per unit yield was 441 kilograms, an increase of 82 kilograms over normal rice. Anhui plans to expand the hybrid rice area 1 million mu every year; by 1990 13 million mu will be sown to hybrid rice, and account for 40 percent of the rice area.

### Yunnan Tobacco Industry

40060252b Kunming YUNNAN JINGJI BAO in Chinese 14 Mar 88 p 1

[Excerpts] In 1987 after-tax profits of the tobacco industry in Yunnan Province were 2.222 billion yuan, a 35.34 percent increase over 1986. In 1987 Yunnan procured 307,863 tons of flue-cured tobacco, a 25.5 percent increase over 1986; and the province produced 3 million cases of cigarettes in 1987.

### Hunan Food Exports

40060252d Changsha HUNAN RIBAO in Chinese 22 Mar 88 p 1

[Excerpts] In 1987 the Hunan Provincial Grain, Edible Oil, and Food Import and Export Corporation earned \$120 million in foreign exchange from food exports to more than 30 countries, including Hong Kong, Macao, Singapore, Malaysia, and Australia. In 1987 the Corporation exported 693,000 live pigs and earned \$50 million in foreign exchange.

### Sichuan Sugarcane Area

40060260b Beijing NONGMIN RIBAO in Chinese 22 Mar 88 p 2

[Excerpt] In 1988 Sichuan Province plans to sow 800,000 mu to sugarcane, gross output is expected to reach 2,500,000 tons, and sugar output is expected to exceed 200,000 tons. The procurement price for every ton of sugarcane will increase from 58 yuan to 90 yuan.

### Xinjiang Cotton, Sugar Base

40060252c Beijing JINGJI CANKAO in Chinese 23 Mar 88 p 1

[Excerpts] Recently, the State Council approved making Xinjiang a national production base for cotton and sugar, and will give Xinjiang preferential funding, tax, and loan policies. During the last 3 years of the Seventh 5-Year Plan, an additional 2 million mu will be sown to cotton, output will increase by 3.5 million dan, and 16 cotton mills will be built, expanded and renovated. During the same time period, an additional 700,000 mu will be sown to beets, output will increase by 1.5 million tons, 13 sugar refineries will be built, expanded and renovated, and by 1990 the sugar refinery capacity will be 360,000 tons.

### Hunan Farm Loans

40060260a Changsha HUNAN RIBAO in Chinese 31 Mar 88 p 1

[Excerpt] In 1988, agricultural banks in Hunan Province will provide 215,960,000 yuan in loans to support the export of farm products and set up export production bases.

**Necessary Role of PLA Nonmilitary Cadres**  
HK3004041188 Beijing JIEFANGJUN BAO in Chinese  
5 Apr 88 p 1

[Article by staff reporter Liu Junkong (0491 0971 1313): "The Nonmilitary Cadre System Must be Implemented—Excerpted Remarks by Cadre Department Heads of Several Major Units"]

[Text] Our army will exercise the nonmilitary cadre system. The implementation of this system is an important reform in the army's cadre system. Why is it necessary to implement the nonmilitary cadre system? What is the significance of implementing the system? On these questions, this reporter interviewed cadre department heads of several major units at a recent army cadres' meeting.

#### **It Is Beneficial To Stabilizing Professional Cadres**

Ye Zhaohong (cadre department head of the Shenyang Military Region): Fundamentally speaking, the implementation of the nonmilitary cadre system is needed for our army's modernization. Following the successful completion of streamlining and reorganization in our army and the development of its modernization, more and more professional cadres are required for various jobs and posts in the army. Take the ground forces of the Shenyang Military Region as an example. Various professional cadres in the ground forces account for one-fourth, whereas professional cadres in special arms and other services account for a larger percentage. Generally speaking, the training and use period of these professional cadres is longer than that of commanding officers. Therefore stabilization is more necessary for them than for the latter. Replacement of professional cadres should not be carried out too frequently, as was done by some army units in the past. They should instead be given better conditions so that they can accumulate knowledge and experience, display their talents in the course of army modernization, and make new contributions. For this reason, it is necessary to implement the nonmilitary cadre system so as to maintain a stable number of professional cadres. It must be explicitly stipulated that nonmilitary cadres can have a broader scope of age limits than military officers, and particularly military officers in combat units. This is a need of army modernization.

I have heard that some professional cadres in army units are not willing to assume nonmilitary posts. As I see it, there are several causes. 1) They do not have a full understanding of the importance of assuming nonmilitary posts. 2) They are still affected by the customary concept that servicemen should have military ranks, and think that it is inglorious to assume nonmilitary posts. As a matter of fact, professional cadres assuming nonmilitary posts are as important as military cadres and can make a contribution to national defense modernization. 3) They are worried that at nonmilitary posts they will not get the same treatment as they do now. I believe

when drawing up the relevant policy, the military commission and the headquarters will take account of the actual interests of army cadres assuming nonmilitary posts, and they will also work out rational regulations.

#### **It Is Beneficial To Improving the Skills of Technological Personnel in the Army**

Huang Ning (cadre department head of the National Defense Science, Technology and Industry Commission [NDSTIC]): The nonmilitary cadre system will play an important role in improving the skills of technological personnel in army units and in promoting army modernization. In foreign countries, the role of nonmilitary personnel in the armed forces is receiving more and more attention from their governments. Once I followed a Chinese army delegation to the United States. During the tour I had talks with some nonmilitary personnel in the U.S. Armed Forces. As they revealed, (Bisson), personnel sectional head of the U.S. Army Staff Department, wrote an article in 1976 highly praising the role of nonmilitary personnel in the army. The article pointed out that these personnel "have formed an integral part of the army's total military forces." Of the nonmilitary personnel in the U.S. armed forces, scientists and engineers numbered 63,000 in 1978, accounting for 6.9 percent of the total; senior technicians numbered 33,000, 3.6 percent; and ordinary technicians numbered 149,000, 16.3 percent. The three made up 26.8 percent. The increase in professionals and technicians promoted the development of weapons and equipment. (Awner Brown), former director of the missile development and operation section of the U.S. Army, led the section in manufacturing medium-range missiles and the rocket that drove the spaceship Apollo to the moon. Evidently, the U.S. military pays close attention to role of nonmilitary personnel.

The NDSTIC is a unit where professional cadres are concentrated. These professional cadres account for over two-thirds of the total number of cadres in the commission. They are engaged in the study, experiment, and manufacture of weapons and equipment, including conventional weapons, nuclear weapons, and satellites. Recently China successfully launched a communications satellite. Our satellite recovery rate is 100 percent. Our National Defense Science and Technology University is rich in the resources of professionals and technicians. Senior professional cadres account for over 30 percent of the total number of professional cadres. This time, some professional cadres will shift to nonmilitary posts. The implementation of the nonmilitary cadre system will provide more favorable conditions for professional cadres in terms of length of service, promotion, and the settlement of actual problems, and will allow them to display their talents better in army modernization.

#### **It Is Beneficial To Reducing the Proportion of Officers to Soldiers**

Xiong Yuanji (deputy director of an artillery unit's cadre department): The proportion of Chinese officers to its soldiers will drop following the implementation of the

nonmilitary cadre system. This is also a characteristic of our army's modernization and regularization. The ratio between officers and soldiers in many countries in the world is over 1:6. For example, the ratio between U.S. officers and soldiers is 1:6, the ratio between FRG officers and soldiers is 1:9.9, the ratio between French officers and soldiers is 1:13.9, and the ratio between Indian officers and soldiers is 1:10.3. But the ratio between Chinese officers and soldiers is 1:3.3. The combat effectiveness of an army unit is not determined by the number of military officers but by the quality of officers and soldiers. The ratio between Chinese officers and soldiers is irrational because the proportion of the officers is too large. An effective way to reduce these military officers is to implement the nonmilitary cadre system. The armed forces of some developed countries use a large number of nonmilitary personnel. For example, there are over 1.3 million nonmilitary personnel in the Soviet armed forces and over 1 million nonmilitary personnel in the U.S. armed forces. The implementation of the nonmilitary cadre system will reduce the proportion of Chinese officers to its soldiers. As our artillery unit is a special unit and its equipment is highly modernized, it requires a large number of professional cadres and experts for its important posts. As a result, there is a large number of cadres in its scientific research and medical departments, hence the irrational ratio between officers and soldiers. Some military officers will shift to nonmilitary posts following the implementation of the nonmilitary cadre system, and the ratio between officers and soldiers will become rational.

#### **It Is Beneficial To Exercising Scientific, Classified Management over Cadres**

Cheng Gongming (cadre department director of the Chengdu Military Region): The implementation of the nonmilitary cadre system will facilitate the reform of the cadre management system in cadre departments and will enable us to find a suitable, scientific method for the management of nonmilitary cadres. The central authorities have stressed the necessity of exercising classified management over cadres. In the past, we were accustomed to using the method of managing administrative cadres to manage other cadres. The implementation of the nonmilitary cadre system will urge us to study the different characteristics of cadres and the law governing their growth, and to exercise more effective and more scientific management over cadres. In this way we will make our management work more advantageous to the progress and growth of professional cadres and to the development of science and technology as well. Management of cadres is a branch of science, and good management will produce good results and turn out talented people.

**Fu Quanyou on Guidelines for Army Building**  
HK3004053788 Beijing JIEFANGJUN BAO in Chinese  
8 Apr 88 p 3

[Article by Fu Chuanyou (0265 0356 2589): "Grasp the Essence of Army Building Guidelines During the New Period"]

[Text] Comrade Yang Shangkun, vice chairman of the Central Military Commission, called the whole army to study and implement the army building guidelines at the rally to celebrate the 60th anniversary of the founding of the army. Vice Chairman Yang said: "The party central leadership and Chairman Deng of the Military Commission have clearly pointed out that the army's general task in the new period is to build a powerful, modern, and regularized revolutionary army, and have issued a series of important instructions for this. These instructions constitute army building guidelines for the new period." "The army building guidelines in the new period inherit Mao Zedong's thoughts on army building, sum up the fresh experiences since the 3d Plenary Session of the 11th CPC Central Committee, grasp the key to army building, and provide creative answers to the major questions that must be properly solved in army building under the new situation. It is the program for army building in the new period, and is the guide to the army's concrete work. The prospects in our army building will be bright if this army building guideline is seriously studied and continuously implemented."

In practice, whether we can consciously follow this army building guideline in the new period and take it as a program and a guide for our work to approach and handle various problems in current army building and reforms is a question directly related to whether we can maintain a correct orientation in army building and whether we can achieve better results in our work. So we should continuously raise our consciousness through study and through deepening our understanding.

In view of the present conditions of the troops, I think that it is necessary to extensively conduct education in army building guidelines for the new period and to guide the troops to systematically and fully study the instructions of the party central leadership, the Central Military Commission, and Chairman Deng on army building, and to deeply understand the essence of army building guidelines in the new period.

Army building guidelines contain rich content and cover our army building in all fields. Only when we grasp the essence of the army building guidelines can we correctly understand various concrete policies; otherwise, we may forget the general objectives and demands when doing some concrete work or placing stress on some aspects. According to my understanding, the basic spirit of the army building guidelines is: Our army building must proceed from the specific conditions of our country and our army and must be suited to the historical conditions of the relative peaceful period; at the same time, we must firmly bear in mind the fundamental function of our army as a fighting force and concentrate on raising the fighting capacity of the troops so as to shoulder the dual missions of assisting modernization construction and safeguarding the motherland's security through carrying out in-depth reforms.



The building of any army in the world must be suited to the specific social and historical conditions of a nation. The economic conditions of a nation constitute the foundation or a basic factor for army building. So we must be able to correctly view our domestic economic conditions and be able to consciously build the army in light of our domestic economic conditions. This is not only related to whether we can succeed in modernizing the army, but is also related to whether our army building will promote and obstruct our country's economic construction. So the formulation of correct army building principles in line with army building in the relative peaceful period and with the social and economic conditions in the initial stage of socialism in our country is a major feature of the army building guidelines in the new period.

During the years of the revolutionary war, the economic lifeblood was held in the hands of the KMT reactionaries, and the main task of our army was to seize state power through armed struggle. Our army building in that period also served this purpose. In those years, we were not required to handle the relationship between army building and national economic construction, so we could not give a correct answer to this question. After the founding of the People's Republic, the national economy was controlled by the people and became a key factor that determined the future of the state and the army. In practice, our army building is required to come into line with national economic construction. In the 1950s, the party and the state adopted positive measures to meet this requirement and also achieved good results. However, due to various reasons, this issue was not properly handled for a long time. Our military expenditure was too large, and this affected the development speed of the national economy; and the economic difficulties of the state in turn affected our army's modernization. Historical experience shows that the correct handling of the relationship between army building and national economic construction is of great significance for both sides.

Our country is now situated in the initial stage of socialism. In this stage, we will gradually change the poor and backward conditions; gradually change an agricultural country with the majority of the population engaging in agriculture mainly through manual labor into a modern industrial country with the majority of the population engaging in non-agricultural trades; gradually change a natural or semi-natural economy into a highly developed commodity economy; and gradually establish and develop the socialist economic, political, and cultural systems full of vigor through reforms and explorations. So it is a stage of realizing the great national rejuvenation in China through the joint efforts of all people. Correctly understanding our national conditions in the initial stage of socialism is of primary importance in the building of socialism with Chinese characteristics, and is of primary importance in the building of a modernized and regularized revolution army with Chinese characteristics. By grasping this key issue, Chairman Deng gave a correct answer to such major questions

as the position of economic construction in our country, the influence of the economic conditions on army building, and the necessity of bringing army building in line with economic construction. This sets aright the guidelines for our army building, and creatively develops the theory for our army building.

As required by the army building guidelines in the new period, we should understand the position of army building according to the basic task of developing productive forces in the entire socialist stage, especially in the initial stage of socialism when our productive forces are still not developed enough. We should clearly understand that our army's fundamental political task is to provide security guarantees for national economic construction. On the other hand, the army must be subordinate to and must serve the overall interests of national economic construction. That is, our considerations and actions should all proceed from the overall interests. The mission of our army requires us to further strengthen the army rather than weaken our army building. However, our army building must be suited to the historical conditions of our country in the initial stage of socialism, and must be subordinate to the overall interests of national economic construction. So, with the overall national interests in mind, we will do our best to reduce the state's economic burdens, and will actively assist national economic construction. At the same time, we will make full use of the existing favorable conditions to create better conditions for advancing the army's modernization. We should broaden our vision and see the bright prospects in our army building so as to make more contributions to the development of the army.

When considering our army building and reforms, we must not forget that our army's fundamental function is to act as a fighting force, and the fighting capacity is the basic criterion for judging the success or failure in our army building and reforms.

An army exists for the purpose of fighting a war. During the revolutionary wars, the main task of our army was to defeat the domestic reactionaries and to seize state power. After the founding of the People's Republic, the long-standing wartime conditions were replaced with a relatively peaceful condition, but the basic function of our army as a fighting force did not change. The only change was that our army's main task became "outwardly oriented," that is, defending national security and territorial integrity and fighting against external threats and invasions. Therefore, in the new period, we must closely watch the international situation and the changes in the surrounding environment. We must clearly realize where the potential and actual threats come from, who is our rival, and what kind of struggles will occur so as to build our army pertinently. Only thus can our army building always come into line with the needs in our national security, and only thus can we make good preparations against any sudden incidents and limited wars.

Functioning as a fighting force determines that our army building and reform should serve the purpose of raising the fighting capacity and strengthening national defense. In the final analysis, this serves the purpose of guaranteeing the existence and development of our nation. To safeguard national security, our country must rely on comprehensive national strength, and our army must rely on a high combat capability. Raising the combat capability of the army under modern conditions should undoubtedly be the starting point and final purpose of our army building and reform.

Army building and reform constitute a systems project. Various factors of the army are arranged in certain positions according to their relations with the army's combat capability. Such factors can only play a maximum role within a definite scope. If a factor is placed in an inappropriate position, it would change the normal mechanisms of the fighting force and lead to disorderly conditions. Therefore, to determine to what degree a special job should be stressed, we should see whether this is favorable to strengthening combat capability. If we deviate from this criterion, army building and reform may take a roundabout course.

At present, our army is facing arduous tasks and various new problems and contradictions. The Central Military Commission and General Headquarters have put forth requirements for our work in various aspects. When we need to do many things, we should particularly master the basic spirit of the army building guidelines, firmly bear in mind the functions of a fighting force, and adhere to the fighting capacity criterion. Only thus can we properly handle relations between different jobs and properly solve various contradictions in our concrete work. For example, the strategic change in army building guidelines never means that we can now "put all weapons back in the arsenal and graze the warhorses on the hillside"; instead, we should make full use of the favorable conditions in the peace period to fundamentally strengthen our army building and enhance modern combat capability according to a long-term plan. Our army building cannot transcend our present objective conditions, but this does not mean that we can just wait and see and can relax our efforts to build our army. Instead, we must try to seek development by overcoming difficulties, carrying out reforms, and rationalizing relations, thus laying a solid foundation for future rapid development. Our army building should have "Chinese characteristics," but this does not mean that our modernization standards can be lowered. Instead, we should be good at giving play to our advantages and properly make up for our shortcomings. While we advocate that our army should train dual-purpose talented people, we never mean that the army can relax military training; instead, military training will remain the main part of the army's work and priority should be given to the training of cadres. Our army should conduct production so as to make up for the supplies and financial resources needed by the army and to solve some actual difficulties at

present, but we also should properly arrange and coordinate such production activities by taking effective measures and policies so as to ensure the healthy development of production and to promote rather than hinder army building in all fields. Obviously, to properly handle these issues, we should really master the essence of army building guidelines in the new period as a whole.

#### **Civilians Steal From PLA Unit**

40050224a Beijing NONGMIN RIBAO in Chinese  
4 Apr 88 p 4

[Letter from Unit 84807, located at Pucheng, Shaanxi]

[Summary] A PLA unit located on a high plateau north of the Wei River has had its communication lines repeatedly stolen by local civilians. Last year 7,160 meters of copper cables and 4 telephone poles were taken, and 84 ceramic insulators were smashed. During January of this year, 1,008 meters of cable were stolen in the counties of Pucheng and Heyang, causing a 47 hour breakdown of communications.

#### **New Naval Artillery Design Finalized**

40050224b Beijing JIANCHUAN ZHISHI (NAVAL & MERCHANT SHIPS) No 2, 8 Feb 88 p 19

[Text] A certain improved shipborne large-caliber artillery weapons system recently completed design finalization. With this, China's first generation of self-produced shipborne artillery is completely finalized. This system is a major weapons system on our sea-going warships. It is able, under all types of visibility conditions and rules of engagement, to acquire and track aerial targets at sea and then proceed to automatically aim and fire at the most effective range. It employs many advanced technologies and components which greatly improve the system's stability, reliability, ease of use, and protective capability.

#### **Civilian Uses for Air-Raid Shelters**

OW0805051588 Beijing XINHUA in English  
0738 GMT 6 May 88

[Text] Beijing, May 6 (XINHUA)—Other uses have been found for China's air-raid shelters built during the 1970s to prepare against future wars.

More than 10,000 of the shelters with a total area of 10 million square meters have been converted by the end of 1987, the overseas edition of the "PEOPLE'S DAILY" reported today.

They include 1,700 as hotels providing 100,000 beds, 1,100 as department stores, 1,800 as recreation centers, 12,000 as warehouses, 140 as hospitals, 1,300 workshops. Most are located in the cities of Harbin, Shenyang, Qingdao, Chengdu and Guangzhou.

Their combined business turnover last year was 1.65 billion yuan, the paper said.

The government in recent years has called on air defense departments throughout the country to make better use of the shelters in peacetime while keeping them in readiness for air defense.

**Conference Urges Police To Crack Down on Crime**

OW0705092888 Beijing XINHUA in English  
1618 GMT 6 May 88

[Text] Beijing, May 6 (XINHUA) — China's police force has been urged to crack down on the rising crimes.

According to the vice-minister of public security at a telephone conference today, the number of serious criminal cases reported during the first quarter of this year exceeded the corresponding 1987 figure by [number indistinct] percent.

Crimes have been on the rise since the beginning of this year despite the fact that police throughout China cracked 86,400 criminal cases during the January-March period, he said at the meeting.

Members of China's police force must be clear about the situation and take "effective measures to curb the increase in crimes", he said.

At present, [name indistinct] said, there is the special need for police to guard against crimes like rape and robbery which are easier to commit in summer.

Also speaking at the meeting were Lin Zhun, vice-president of the Supreme People's Court, Feng Jinwen, deputy chief procurator of the Supreme People's Procuratorate, and Cai Cheng, minister of justice.

They called for cooperation with the police in the anti-crime drive.



## EAST REGION

**Wang Fang Chairs Public Security Conference;  
Rising Crime Rate Cited**  
*OW0805015888 Beijing XINHUA Domestic Service in  
Chinese 1328 GMT 6 May 88*

[By RENMIN RIBAO reporter Wu Hengquan and XINHUA reporter Zhou Lixian]

[Text] Beijing, 6 May (XINHUA): The central departments of public security, the procuratorate, and the judiciary jointly held a national telephone conference on public security work in the Ministry of Public Security this afternoon. The conference called on cadres and police to fully understand the current situation in public order, and take effective measures to combat grave crimes, stop the increasing trend of major criminal cases, maintain a normal life and good work order among the people, and ensure smooth progress in reform and opening to the outside world.

Yu Lei, Vice Minister of Public Security, briefed the conference on the situation of the nation's public order this year. He said: In the first quarter of this year, we cracked more than 86,400 criminal cases, of which some 23,300 were major ones. We also investigated and handled some 257,700 public order cases and thus kept the nation's public order in a basically stable situation. However, major criminal cases have continued to increase sharply since the beginning of this year. In the first quarter, major criminal cases rose by 31.6 percent over last year's corresponding period, public order problems also increased, and some of the problems were quite serious.

Yu Lei pointed out: While the weather is becoming warmer, some crimes and public order problems with seasonal characteristics will increase. The Ministry of Public Security calls on all public security organs in China to continue to adhere to a principle of dealing with the crimes sternly and promptly according to law, and to make special efforts to combat grave crimes thoroughly, effectively, and severely. It is especially necessary to effectively and severely deal with the criminals who are arrogant, cause strong complaints among the cadres and people, and affect public security the worst. Severe and quick punishment should be imposed according to law on gang members and criminals who openly commit armed robberies on the street or ride roughshod through neighborhoods. It is necessary to maintain high vigilance against crimes that occur frequently in summer, such as serious violence, robbery, and rape; strengthen crime prevention, emergency measures, and rapid crimesolving capability; and punish the criminals severely and quickly. It is necessary to deal resolute blows at such crimes as hooliganism and mob seizure of private or public property at their very roots.

Yu Lei said: The Ministry of Public Security calls on all public security cadres and police to work strictly according to law, constantly improve their law-enforcement ability, and accept on their own initiative the supervision by procuratorial and supervisory organs and the people. The public security organs should particularly pay attention to upholding the principle of being strict with police members and the fine tradition of the mass line. They should strengthen their departments and maintain close police-citizen relations.

Other speakers at the telephone conference included Lin Zhun, vice president of the Supreme People's Court; Feng Jinwen, deputy procurator-general of the Supreme People's Procuratorate; and Cai Cheng, Minister of Justice. They called on all local courts, procuratorates, and judicial departments to cooperate closely with local public security departments in dealing with major public order problems and severely combating crimes.

Wang Fang, State Councillor and Minister of Public Security, presided over today's telephone conference. President of the Supreme People's Court Ren Jianxin, Procurator-General of the Supreme People's Procuratorate Liu Fuzhi, and Minister of State Security Jia Chunwang attended the telephone conference.

**Work Report of Jiangsu Provincial CPPCC  
Standing Committee**  
*40050151c Nanjing XINHUA RIBAO in Chinese  
21 Jan 88 p 4*

[Article by Luo Yunlai [5012 6663 0171]: "Achievements Of Political Consultation"]

[Excerpts] It has been 5 years since the Fifth Jiangsu Provincial Chinese People's Political Consultative Conference [CPPCC] held its first plenum in April 1983. During this period, much work has been done and new achievements have been made.

1. Actively study, propagandize, and implement the party's line, principles, and policies since the 3d Plenum of the 11th CPC Central Committee.

2. Fulfill the function of political consultation and democratic supervision and actively participate in politics and political deliberations. Acting as masters and with utter devotion, CPPCC members have been fully consulted on and discussed the province's Seventh 5-Year Plan, government work report, economic work situation, prices, the strengthening of the construction of the spiritual civilization, economic, scientific and technological, and educational reform, and important personnel decisions. They offer realistic criticisms and suggestions and play an effective supervisory role.

3. New strides have been taken in fostering friendly relations with the "three kinds of compatriots" and foreigners. During the 5 years, it played host to 750 "compatriots of the three kinds" in 78 groups. Many

committee members actively propagandized and promoted goodwill by making use of their overseas ties and influence, contacting old friends, and making many new friends. Consequently, "the three kinds of compatriots" have developed a deeper understanding of and more friendly feelings for the motherland. We have been practicing people's diplomacy diligently. We have received former British Prime Minister Callaghan and his party as well as foreign scholars, experts, religious leaders, and well-known social figures from many nations and regions who visited Jiangsu to lecture or on a study trip.

4. Implement the united front policy, reversing and correcting the unjust verdicts handed down on CPPCC members during the Cultural Revolution. At present all 1,783 Grade 4 CPPCC members who suffered unjust verdicts or trumped-up charges have been rehabilitated and arrangements have been made to place them in jobs. Moreover, they have been paid their deducted wages retrospectively. False statements and discriminatory materials have been deleted from their files. During the Cultural Revolution, properties were confiscated from 1,350 households. Apart from two households compensation for whom is still being studied, all other cases have been settled. Also, all 498 private residences seized and confiscated during the Cultural Revolution have been returned.

5. The collection of historical materials has entered a new phase. During the past 5 years, a total of 1,500 pieces of historical materials containing 12 million characters were collected, covering such areas as military affairs, politics, industry and commerce, economics, science and technology, culture, and education. The field of search for materials has been expanded to Hong Kong, Macao, Taiwan, and overseas. We also will be exchanging historical materials with Taiwan gradually.

6. Closer links have been forged between the CPPCC and people in all social quarters and increased guidance has been provided to political consultation work at the municipal and county levels. The provincial CPPCC has made substantial progress during the past 5 years. The number of CPPCC organizations at all levels has gone up to 113, with a total membership of 21,700. The CPPCC is becoming more united and extending its network of contacts everyday.

Our suggestions are as follows:

1. Further study the documents of the 13th Party Congress conscientiously and unify our thinking and actions with the spirit of the congress.

2. Strengthen the CPPCC's basic functions and broaden the channels of consultation and supervision so that consultation and supervision will be regularized and institutionalized step by step and contribute to construction and reform in the province.

3. Energetically do a good job in receiving Taiwan compatriots and launch goodwill activities for the "three kinds of compatriots" and foreigners. Promote the implementation of the principle of "one nation, two systems."

4. Hold the flag of patriotism aloft and make a major effort to collect historical materials.

5. Step up CPPCC's own construction. Develop closer ties with members. Improve guidance to municipal and county CPPCC's.

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### Higher Education Advised To Serve Economic Needs

40050151b Shanghai JIEFANG RIBAO in Chinese  
29 Jan 88 p 6

[Article by Yang Deguang [2799 1795 1639] and Ma Liping [7456 4539 1627]: "Higher Education Must Produce Required Expertise"]

[Excerpts] The first challenge facing Shanghai higher education is economic development and economic structural reform. In the past, many enterprises were only concerned with quantity, not quality, when they recruited university graduates. Today enterprises make economic efficiency their top priority and are therefore making new qualitative demands on graduates. The market for graduates is changing from a sellers' to a buyers' market.

The development of township and town enterprises and collective enterprises also presents a challenge to higher education. In Shanghai, as in many other areas, township and town enterprises and collective enterprises have been developing rapidly, with a steady rise in production level. But these units are acutely short of qualified personnel. The gross industrial output value of collectively-owned units accounts for 23.3 percent of the municipality's total output, yet their professional and technical personnel make up just 5.6 percent of all such personnel in Shanghai. The gross industrial output value of township and town enterprises in the outskirts constitutes 17.8 percent of the municipal total, but their professional and technical staff make up merely 0.2 percent of all workers. Thus it can be seen that this is a vast potential market for university graduates, which we must pay attention to.

Yet another challenge comes from the development of tertiary industry. Following adjustments in the industrial structure, tertiary industry is slated to experience considerable growth. But there is a wide disparity between what personnel training is turning out and what industrial restructuring requires. Many people specialize in engineering and science, but few study arts, finance, economics, politics, and law. Of the current 600,000 professionals, banking and insurance account for merely

2.5 percent and real estate management, public health, citizen service, and consulting services, 1 percent. If this situation is not corrected soon, it is bound to hamper the adjustment of the industrial structure.

According to a sample survey, about 50 to 60 percent of students now in school express a "loathing for schooling" and say they are merely trying to get a "passing grade."

As long as it faces up to reality and furthers reform, Shanghai higher education will certainly be able to meet the challenges ahead and grow steadily.

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# **Forum Urges Development of Socialist News Media With National Characteristics**

40050151a Hefei ANHUI RIBAO in Chinese  
17 Jan 88 p 4

[Article by Li Kejie [2621 0344 4634]: "News Media Must Reform To Keep Up With Economic Restructuring"]

[Excerpts] On 7 January, the Anhui Journalists Association and the Anhui Journalism Society invited comrades from a number of provincial, prefectural, and municipal news units to a forum where they had a useful discussion on news media reform in the initial stage of socialism and on strengthening and intensifying propaganda reform. The forum was also attended by comrades from the News and Publications Office of the Propaganda Department under the Anhui Provincial CPC Committee and the Anhui Publishing Workers Association.

Zhang Yuxuan [1728 5148 8830], deputy editor in chief of ANHUI RIBAO, said, "In fulfilling its role to carry out propaganda among the masses and organize and educate them, the press should pay attention to communication from the bottom up and lateral communication as well as communication from the top down. It should further open up and make better use of channels in society for consultation and dialogue. It should play a larger supervisory role and make the public feel that the press is readable, approachable, and credible. Press reform is multifaceted, but I think the reform of day-to-day reporting should be the first item on the agenda because news reporting is the most direct way to serve modernization, reform, and the opening up of the country to the outside world. And news reporting is achieved through highly effective reporting. It should be said that this is the task at the forefront. To adapt to this task, we may consider increasing the relative coverage of the following 10 categories of news: 1) eyewitness news; 2) follow-up news; 3) expository news; 4) narrative news; 5) social news; 6) investigative news; 7) consultative and dialogue news; 8) reports on "controversial issues" and "difficult issues" and discussions on news; 9) party and government news; and 10) news that brings to light

important events of great concern to the public. News reporting reform should stress the improvement of the caliber of the corps of journalists and the modernization of their ideas."

Yao Yange [1202 3601 2047], reporter-in-charge at the Anhui branch of XINHUA SHE, said, "In the past, news reporting paid a lot of attention to propaganda and inculcation from the top down and was more than responsible to the higher authorities. However, it did not do enough to reflect the wishes and voices of the masses. As a result, all newspapers and all broadcasting stations presented the same look and spoke with the same voice. From now on, news reporting should be more 'informative.' We should make known to the people any state or party matter that can be made public. The public should know about important issues and discuss them. We also should use the media as a watchdog and support the masses in criticizing the shortcomings and mistakes in government work, opposing bureaucratism, and struggling against all manner of unhealthy tendencies. How to cover 'difficult issues' and 'controversial issues' has become the foremost issue in news media reform and openness today. Only by reporting these real-life issues accurately and comprehensively, without trying to avoid or distort them, can we enable the masses to understand major government policies and principles and appreciate the current difficulties, and help intensify reform."

Ma Zhimin [7456 7535 2404], news director of the Anhui People's Radio Station, said "Radio propaganda must proceed from the realities in the province. The reform of radio propaganda should take place gradually based on its characteristics of "rapidity, sound, and popularity" and its shortcomings of transiency and audibility without visibility."

Zhou Xuezhi [0719 1331 4249], director of the general editorial office of the Anhui People's Radio Station, said, "Supervision by the news media should be regarded as more than a matter of deciding whether or not to publish a criticism in the paper or air it on TV. In fact, supervision by the media is an important aspect of socialist democratic political construction. Compared to administrative and legal supervision, it has such unique advantages as extensiveness and openness. If we really achieve supervision by the media, bureaucratism, unhealthy tendencies, and other violations of law and discipline in the ranks of our cadres will be more readily discovered and corrected and the people's power also will be better exercised and realized."

Wu Shiju [0702 1102 2829], deputy director of the news division of Anhui TV Station, said, "How to make use of the news and propaganda media for supervisory purposes is highly worthy of our study. In the past, we were used to singing praises, so it is hard for us now to expose or criticize certain serious problems. Take the recent serious gas explosion at Panyi Mine, for example. Our reporters rushed to the scene but were barred from filming the accident site or injured hospitalized workers.



They were only allowed to tape the meeting called to investigate the accident. Our journalists should make full use of the advantages of television and fulfill the media's supervisory role."

Xu Fengliang [6079 6646 5328], deputy editor in chief of ANHUI FAZHI BAO, said, "Many manuscripts that come to FAZHI BAO reveal attempts by a handful of cadres to intercede on behalf of somebody, to curry favor with certain people, to subvert the law with power, and to disturb judicial personnel as they try to handle matters impartially. These things make the masses very indignant. The fulfillment of our supervisory role assumes additional importance in our propaganda and reporting."

Wang Yuqun [3769 0147 5028], deputy editor in chief of ANHUI QINGNIAN BAO, said, "Press reform depends on the modernization of the guiding thought of running a newspaper. In the past, press reform stressed truthfulness, brevity, promptness, liveliness, and strength. These are the basic demands of news reporting. They do not change over time and are always correct. If the current round of press reform remains at this level, we will fail to keep up with the overall reform situation in the nation badly. The era has given press reform a richer and more diversified content. Our journalists must plunge into the thick of life, immerse themselves among the masses, and conduct studies to understand the will of the people. They should reflect social life and the voice of the people from many perspectives so that popular wishes are communicated to the authorities above and vice versa, and so that there is better understanding among the people themselves. That way the press will be in increasingly close touch with the CPC Central Committee and the masses and plunge deeper and deeper into life."

Wang Zhengxiao [3769 2973 1321], deputy editor in chief of HEFEI WANBAO, said, "A major stumbling block to press reform is the institutionalization of press work. During the past few decades, news units have been setting up departments by and large to match those in the party and government. Over time this tie-in became unbreakable. While the arrangement certainly provides some convenience in liaison work, it was at best a way of discharging responsibility to the higher level. This old set-up has seriously hampered the progress of press reform and tied journalists' hands as they go about reforming and making innovations."

Han Ziyang [7281 1311 5391], deputy director of the Hefei Television Broadcasting Bureau, said, "We must conscientiously examine and clear up old journalism concepts in our heads, discarding longstanding 'leftist' habits and formalism. Journalism must abide by the party spirit and truthfulness. In particular, we must correctly understand and properly handle the relationship between being a good propaganda tool and fulfilling one's supervisory role. We must remain politically consistent with the CPC Central Committee and correctly propagandize the party's line, principles, and policies.

But this kind of propaganda must be dynamic and creative, with its own characteristics and personality. Only thus can we overcome the formalism and the old habit of pomposity in journalism and make our propaganda and reporting really penetrate into people's minds and hearts."

Cheng Jiakai [4453 0857 2818], director of the Journalism Research Institute, ANHUI RIBAO, said, "To reform the press, we must first reform propaganda by making it more open and visible. There are many ways to do this. First, we can replace one-directional propaganda with two- or multi-dimensional propaganda. Second, do not isolate the newspaper geographically but open it to the whole nation. Third, replace empirical, communique-like reporting with reporting of social analysis and social understanding. Fourth, replace the "reselling-exports-on-the-domestic-market" style of reporting with participatory and explorative reporting. Fifth, replace exclusively commendatory reporting with reporting that is essentially commendatory but is also critical. Sixth, replace summing-up reporting with progress reporting. So on and so forth."

Wang Chengli [3769 2052 4409], director of the News and Publications Bureau of the Propaganda Department under the Anhui Provincial CPC Committee, said in a written statement, "While press reform has made some progress in this province in recent years, it still falls far short of what has been achieved in economic construction and economic structural reform. Press reform is not a matter for the press units alone. It also requires the understanding and support of various party and government departments and all segments of society to revamp outdated ideas of journalism formed over a long period of time to make them consistent with the situation of reform and opening to the outside world. That way, press reform will be able to make progress."

Comrade Liu Xing [0491 2502] was the last to speak. He said, "We must take the spirit of the 13th Party Congress as our guide and, in light of the actual circumstances in China and the theory of the initial stage of socialism, examine and explore press reform, develop socialist news media with Chinese characteristics, and make even greater contributions to the building of socialism with Chinese characteristics and all-around reform."

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## SOUTHWEST REGION

### Need for Sound Basic Level Political Organization Emphasized

40050196c Lhasa XIZANG RIBAO in Chinese  
17 Jan 88 pp 1, 3

[Article by Zhu Mingde [2612 2494 1795]: "Symposium on the Building of Grassroots Political Power Throughout the Region Calls Upon All Prefectures and Municipalities to Heighten Understanding and Take a Good Firm Grip on the Task of Building Grassroots Political Power"]

[Excerpts] Wu Jinghua [0124 4737 5478], Redi [3583 0966], Doje Cering, and Mao Rubo [3029 1172 2672] spoke at the meeting. In his speech, Secretary Wu Jinghua noted that the key to building grassroots political power lies in the proper selection of persons and assistants are responsible for Party and government work. Once secretaries and township heads have been properly selected, this group can be guided to complete the various tasks turned over to them by the Party and government. If selection is not done properly, the task of strengthening the building of grassroots political power will be nothing more than a perfunctory exercise. In the selection of cadres, the pioneering sort must be chosen. "Good old boys" who lack a pioneering spirit will not do. Talking about grassroots work in the Tibetan region, he said, that for historical reasons, the first echelon organization of townships and towns in the region had not turned to good advantage their role as combat fortresses; grassroots Party and government organization is not complete or perfected. This opportunity should be taken to strengthen the building of the grassroots Party organization, to strengthen the building of grassroots political power, and to strengthen the building of grassroots mass organizations including the Communist Youth League, the Women's Federation, the militia, and peace preservation units, solidifying and consolidating the grass roots. This is a vital program of lasting importance. Secretary Wu emphasized that the key to better CPC Central Committee lines, plans and policies, to better guiding thought from the Tibetan region CPC Committee, the Tibetan Region's People's Government, and higher levels, and to better policies lies in the exercise of political power at the township primary level and meeting with the masses. The voice of the masses can be reflected through grassroots organizations to a higher level. This issue should arouse high interest on the part of municipal CPC committees and government administrative units everywhere, and on the part of all county CPC committees, and county governments, who should conscientiously take it firmly in hand.

Comrade Redi said in his speech that pilot projects conducted during the previous stage had provided plentiful affirmation about the building of grassroots political authority. He also noted that grass roots political power education is an important integral part of the reform of our entire political system, and he hoped that all prefectures and municipalities would take it further in hand. He repeatedly stressed that in the building of grassroots political power, full consideration must be given to the special circumstances existing in Tibet, everything proceeding from Tibetan realities, matters being handled as specific circumstances in individual prefectures and municipalities, and in individual counties and districts require, much consideration being given to what is beneficial for the masses, and on no account acting with arbitrary uniformity.

In his speech, Tibetan Autonomous Region People's Government Chairman Doje Cering noted that the building of grassroots political power underlies our every

endeavor. For both the Party and the government, good performance in the building of the two civilizations, good performance in stability and unity, in safeguarding the unity of the motherland, and in changing the impoverished and backward situation that exists, have as their goals service to the masses. This work relies mostly on the grassroots for its performance. Therefore, we must truly perceive this work to be a basic task, bend efforts to it and take it firmly in hand. This is a matter that bears on longterm governance and lasting stability in Tibet, and it bears on whether Tibet will be able to move ahead, to make progress, and to develop. Therefore, the next step must be given more serious attention, and must be stressed more profoundly, more carefully, and more soundly. Speaking about the cadre problem, Doje Cering said that this is the key to all work; efforts must be directed to the selection and promotion of cadres. Genuine strengthening of grassroots political power cannot be measured in terms of housing, welfare, or pay and emoluments, but rather mostly in terms of whether the cadres we select are people who steadfastly take the socialist road, support the Communist Party, maintain the unity of the motherland, strengthen the unity of nationalities, are completely politically reliable, and are able to serve the people wholeheartedly. We must also make sure that they have a pioneering spirit, a certain amount of education, a broad outlook, and a definite ability to work. For township and town cadres who have already been assigned or who will be assigned, attention must be given to training both to help them update their ideas, emancipate their thinking, heighten their political and ideological consciousness and enhance their understanding of policies, and also to help them improve their actual work skills. The basic level old cadres from townships and towns who are now retiring or will retire can positively not be allowed to come under attack or be retaliated against, or to be prejudiced against. More must be done to show concern for their welfare and look after them politically and in their daily lives. Full affirmation must be given to the achievements and contributions of these comrades in their past work, establishing among the masses of the people a social atmosphere of respect for these comrades.

Secretary Mao Rubo made supplementary remarks about the task of building grassroots political power. He said that in judging whether a good job had been done in the building of grassroots political power in an area, one had to look at whether productivity in the area had risen, whether a good job had been done in the task of curing poverty and moving toward prosperity, and whether the masses had become prosperous. Unless the economy has developed and the masses have been allowed to become prosperous, it is impossible to express the Party's leadership or the superiority of the socialist system, and it is impossible to express the warmth of living in the big family of the motherland.

**Regulations on Insuring Authenticity of News Reports**

40050196b Lhasa XIZANG RIBAO in Chinese  
21 Jan 88 p 1

[Article: Regulations Issued by the Tibetan CPC Committee, issued on 16 January 1988; "Regulations on Principles Pertaining to the Authenticity of News Reports (Not Otherwise Communicated)"]

[Excerpts] 1. The position responsibility system for news reporting is, first of all, a system of responsibility for newspaper editors in chief as well as radio broadcasting station and television station director's. Each issue of a newspaper and every radio station or television station news program must carry the name of the editor in chief on duty or the station director on duty. In addition, every newspaper layout and every radio or television news program must carry the name of the responsible editor. Every news item should indicate the author in order to strengthen their sense of responsibility and make mass supervision of the news easier.

2. News units are to treat as a serious matter all unfounded reports from their newspaper offices (or stations), punishing those responsible for negligence with criticism and education, political discipline, or fines as circumstances warrant and according to the seriousness of the issue. In all cases where those who select and edit news behave improperly or engage in "reasonable fantasy," the misinformation they report produces serious consequences, or when personnel concerned are not responsible in the performance of their work creating serious mistakes, not only should their own unit institute action internally, but those directly responsible should also make a public criticism in the newspaper or on radio or television programs to redeem the adverse effects.

3. Every news unit should regularly conduct summaries and criticisms to maintain truthfulness in the news and to oppose unfounded reporting. They should seek causes, plug leaks, formulate actions, establish systems, give commendations to the advanced, and urge along the laggards, so that the principle of maintaining the veracity of the news becomes a fine habit in news units.

4. Maintenance of a system for examining drafts, the important news articles that have been drafted by correspondents and reporters having to be reviewed, signed and stamped with a personal seal by units in charge or leading comrades concerned. The writer must bear personal responsibility for all news articles that have not been examined. All propaganda materials released to news units by Party or government organizations, PLA forces stationed in Tibet, People's Armed Police contingents, industrial and mining enterprises, mass organizations, cultural, educational, health, or scientific research units must be true, accurate, and reliable. All persons who examine articles and units that provide data for news reports bear personal responsibility for the veracity of the news. Reports about situations that a news unit

provides to CPC committees at a higher level for decision making purposes must be signed and released by a responsible comrade in charge of the news unit.

5. Advocacy of mass type news supervision. All recipients of news (including newspaper readers, the radio audience, and television viewers) have the right to supervise and criticize the truthfulness of the news. Criticisms, views, and suggestions made about the truthfulness of news reports by recipients of news must be diligently and responsibly verified by news units, the facts clarified, responsibility fixed, and replies made. Serious mistakes must be corrected publicly at once.

6. Strengthening the professionalism of the news corps, using various methods and channels to train editors and correspondents rotationally in separate groups over a period of time to raise their ideological level and their professional abilities, eradicating at their source the causes of unverified reports. The most fundamental component in the political quality of those who work with the news is maintenance of unanimity politically with the CPC Central Committee, unswervingly propagandizing the Party's line, plans, and policies. This is also a part of political discipline. Doing this requires that news units make long range plans and short range arrangements to insure the availability of time, manpower, and financial resources for carrying out this work in practice. Those engaged in reporting the news must possess an intensely revolutionary devotion to their work and a sense of political responsibility. They must pursue their profession assiduously; otherwise, they will be unable to perform their work with credit.

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**Tibetan Region Chairman Comments on Autumn 1987 Disturbances**

40050196a Lhasa XIZANG RIBAO in Chinese  
17 Jan 88 pp 1, 3

[Excerpts] In his "Government Work Report" made at the Sixth Session of the Fourth Autonomous Region People's Congress, Autonomous Region People's Government Chairman Doje Cering called on people of all nationalities and from all walks of life throughout the region to oppose splittism, to support the unity of the motherland, and to strengthen unity among nationalities as their bounden duty and responsibility, consciously conducting resolute struggle against splittists.

At the instigation and engineering of the Dalai Lama clique, a small number of splittists within the region created a series of disturbances in Lhasa during September and October 1987, which damaged stability and unity, adversely affected normal production and daily life, created major losses, contravened the four basic principles in a fundamental way, violated national laws and decrees, and ran counter to the people's basic interests. This was an organized and premeditated serious political incident.



Comrade Doje Cering said that the reprehensible actions of the splittists had aroused the extreme indignation of people of all nationalities in Tibet who strongly demanded that the Region CPC Committee and people's government take decisive action and apply stern sanctions. In accordance with national laws and the demands of the broad masses, and on instructions from the CPC Central Committee, the State Council, and the Central Military Affairs Committee, the Region CPC Committee and people's government applied the principle of protecting the masses and isolating the malefactors, taking necessary action to quell the disturbances quickly. During this fight to maintain the unity of the motherland and to oppose splitting, cadres of all nationalities, workers, peasants and herdsmen, intellectuals, and the rank and file of Buddhist monks and nuns throughout the region hurried to meetings to issue statements and articles angrily exposing and denouncing the reprehensible actions of the splittists in a demonstration of their firm standpoint and their clear-cut political attitude. The broad masses of public security cadres and police, and People's Armed Police cadres and men courageously stood in the forefront of battle, maintaining strict discipline, not fearing sacrifice, and exhibiting noble qualities of loyalty to the motherland and to the people. All officers and men of the PLA in Tibet held fast to their positions, rigorously maintained border defense, and defended the security of the motherland, playing a role as a strong backup force.

Doje Cering said that it is universally acknowledged that Tibet is an inseparable part of the People's Republic of China. The Tibetan people, like all fraternal nationalities, have made a glorious contribution to the formation and development of the Chinese nation.

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## NORTHEAST REGION

### LIAOWANG Special Report on Harbin Party-State Separation

#### Harbin Achieves Preliminary Party-State Separation

40050181 Beijing LIAOWANG [OUTLOOK] in Chinese  
No 6, 8 Feb 88 pp 4-13

[Article by Zu Baiguang [4371 0130 0342]: "Harbin Succeeds In Separating Party From State"]

[Text] After a year of preparations and 4 months of reform, municipal, district (bureau), and neighborhood departments have achieved a preliminary form of party-state separation. Party-state separation, based on experience gained from pilot projects, is also under way in enterprises and institutions across the board.

Harbin began thinking about and studying this piece of reform in September 1986. After discussions and examination, the Harbin Municipal CPC Committee finally

unveiled a comprehensive reform plan in April 1987. In August the same year, earnest changes were made in the machinery, functions, organizational format, mode of operations, and work methods of the municipal CPC committee's work system.

#### Municipal Party and State Organs Take the Lead in Redistributing Functions and Reforming Departments

1. Zeroing in on the key link of functional reorganization, the municipal CPC Committee further defined its leadership responsibilities clearly. Essentially it is the municipal CPC committee's responsibility to implement and execute the CPC Central Committee's line, policies, and principles; draw up detailed implementation policies and measures in the light of realities; do a good job in the party's organizational, propaganda, and educational work; recommend key cadres to the municipal government; help all party members play an exemplary vanguard role in all work and social life; ensure that the municipality's legislative, judicial, and administrative organs and economic and cultural organizations work together in coordination with one another enthusiastically, independently, and responsibly; step up leadership over people's organizations and mass organizations such as the trade union federation, the Communist Youth League, and women's federation, and bring out the best in them; strengthen close cooperation with non-party personages, and launch a concerted struggle to achieve the four modernizations.

These responsibilities can be divided into three layers: 1) work considered, proposed, and directly organized by the municipal CPC committee; 2) work considered, proposed, and made into law by the municipal CPC committee for implementation by the government or other parties concerned; 3) work proposed by the government or other quarters, then considered by the municipal CPC committee for implementation by the pertinent department with the coordination, inspection, and supervision of the municipal CPC committee. Specifically, they fall into seven areas: economic work and urban construction, reform, spiritual civilization, the party's own construction, united front, political and legal work, and people's organizations and mass organizations. Precise responsibilities have been drawn up for each of these areas.

2. Adjust the departments under the municipal CPC committee. The Culture and Education Department, Industry and Communications Department, and Rural Work Department, which had been set up to match their functional counterparts in the municipal government, were abolished, their functions transferred to the relevant departments under the municipal CPC committee or in the municipal government. Overlapping departments were merged. Also abolished were such units as the speakers' bureau, old cadres bureau, party style office, and the office to crack down on serious economic

criminal activities, all under the municipal CPC committee. Their functions have been removed to other relevant departments under the municipal CPC committee.

Of the original 13 line departments under the municipal CPC committee, therefore, 7 were abolished and 6 were retained—the general office, Organization Department, Propaganda Department, United Front Department, Policy Studies Office, and the Political and Legal Commission. Some of the functions of the Political and Legal Commission were distributed to the municipal government and municipal people's congress so that it can gradually upgrade its work—research, guidance, and coordination—to a higher level. In addition, the work system of CPC committees in departments under the municipal CPC committee was reformed.

To adapt to functional redistribution by the municipal CPC committee, retained departments have adjusted their functions, internal set-up, and staffing, which were mainly accomplished in three ways. First, functional analysis—specifying which functions would be retained, augmented, delegated, transferred, kept temporarily, or increased. Second, work division—functions were split up into specific tasks. Through classification, merging, and the calculation of workload, the departments determined the internal structure, functions, and positions. Third, work analysis—setting position standards, including work content, the relevant rules and regulations, work procedures, requirements for appointment, and methods of evaluation. In other words, what to do, how to do it, what standards are applicable, and who will do it are all clearly laid down. This kind of multilevel analysis has resulted in a set of new work procedures, new work methods, new rules and regulations that would gradually propel work in the direction of standardization and institutionalization, making it more scientific.

3. Exchange cadres properly. To improve cadre structure and the corps of cadres in the course of organizational restructuring, Harbin conducted two rounds of cadre exchange in 1987. One round involved transferring cadres from the municipal CPC committee and municipal government to augment the ranks of cadres at the district and neighborhood levels. In the second round, various departments under the municipal CPC committee, the Municipal Discipline Inspection Commission, trade union federation, CYL, women's federation, and other mass organizations adjusted their staffing level by over 20 percent. The personnel of departments under the municipal CPC committee that were abolished were disposed of in these two rounds of adjustment and exchange, which involved 32 percent of the total number of cadres in departments directly under the municipality or party and mass organizations, or 200 people out of 607. After adjustment and exchanges, the establishment of these departments is the same as that in 1952.

The major destinations of cadres involved in adjustment and exchange were closely tied to the goal of departmental reforms, which was essentially to strengthen the basic

levels—district and neighborhood—and economic supervision and political and legal departments. In the main, these 200 cadres were resettled as follows: 26.2 percent were selected to boost the ranks of cadres in districts and neighborhoods. This move was made to meet the needs of power delegation and local management of party relations along with internal district reorganization and neighborhood cadre adjustment. Most of these cadres are office-level cadres under 45 years of age and have post-secondary qualifications. In addition, 10.5 percent were transferred to political and legal departments and economic supervision departments because they are familiar with the functions of those departments; 7 percent were transferred to enterprises and institutions; 27 percent followed their functions to new departments; 18.3 percent retired as scheduled or took early retirement; 7.4 percent were transferred to other units; and 6.6 percent are waiting for job allocation.

#### Organizational Reform in District, Bureau Party Work System

To adapt to party-state separation, the municipal CPC committee assumed overall responsibility and overhauled the work system at the district and bureau levels throughout the municipality.

1. Abolish CPC committees in government departments in charge at the municipal and district levels. CPC committees in government departments in charge exercised vertical leadership over party organizations in enterprises and institutions, a job which was beyond them and was poorly done. This militated against party-state separation, government-enterprise separation, and the intensification of the party's own construction. Thus the Harbin Municipal CPC Committee decided to abolish the CPC committees in 21 government departments in charge. The party organizations (189 CPC committees, 3,831 party branches, and 55,400 party members) of the 1,031 enterprises and institutions affected were grouped into different levels in accordance with the principle of local management and put under the charge of the municipal CPC committee, a district CPC committee, or the work committee of a neighborhood CPC committee, as the case might be. The bureau discipline inspection commission was abolished, as was the bureau trade union federation. Instead an industrial union federation was set up directly under the municipal trade union federation. Also abolished was the Communist Youth League CPC committee in the bureau. Between them, the 21 bureaus had 418 cadres, some of whom were transferred to the districts, some to bureau administrative departments or enterprises and institutions. This major reform is now nearing completion.

In conjunction with the above reforms, CPC committees in the five bureaus in charge in Harbin's six districts were also abolished. All party organizations in the 752

enterprises and institutions affected (607 party branches, 6,087 party members) have been transferred to the work committees of various neighborhood CPC committees.

2. Augment and expand the machinery of district CPC committees and neighborhood CPC committees. No work departments were created in party organizations and mass organizations at the district level, but cadres must be adjusted and exchanged and more young and energetic leading cadres brought in. Taking a leaf from the book of the municipal CPC committee in party-state separation, district CPC committees have reorganized functions and strengthened the work of the party and mass organizations. Neighborhoods have set up party work committees as agencies of the district CPC committees. To meet the needs of local management of party organizations in enterprises and institutions, the municipal CPC committee and district CPC committees have put competent cadres in charge of the neighborhood CPC work committees, in contrast to the past when committee leaders were of a low rank and the standard of leadership was not high.

By reforming the work system of the party at the municipal, district, and bureau levels, Harbin has ushered in a new state of party-state separation. After functions were redistributed between party and state and after local management of party organizations in enterprises and institutions was implemented, municipal, district, and neighborhood party organizations, on the one hand, and municipal, district, and neighborhood government departments, on the other, became two work systems, which has enabled CPC committees at all levels to spring into life discharging their new functions and concentrate their energies on mastering party work.

To provide impetus to party-state separation within enterprises in the municipality, the Harbin Municipal CPC Committee has combined the reform of party-state separation with a multifaceted and multi-layer experiment in organizational reform in party and mass organizations within enterprises. A total of 40 small, medium-sized, and large enterprises were selected as experimental units to gain experience in the implementation of the CPC Central Committee's three regulations, functional reorganization, departmental streamlining, cadre adjustment and exchange, and the establishment of a strict position-related responsibility system. Of the 40 experimental units, 20 enterprises are in the process of separating party from state and 20 have successfully carried out all reform tasks. Party and mass organizations in the latter group are beginning to operate using new work mechanisms. Influenced and encouraged by reform in the 40 experimental units, as many as 1,000 enterprises across the municipality have also begun to think about reform and taken actions to study and draw up a reform plan.

### 'Profoundly Significant' Measures

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No 6,8 Feb 88 pp 6-7

[Interview with Li Genshen, secretary of the Harbin Municipal CPC Committee, by LIAOWANG reporters Hu Guohua [5170 0948 5478] and Shao Quan [6730 3123] in Harbin: "Party-State Separation Has Strengthened, Not Weakened, Party Leadership"; date not given]

[Text] Of the leading party and government cadres we have had contacts with, Secretary Li Genshen [2621 2704 3234] of the Harbin Municipal CPC Committee can be considered a special character. At 57 and balding, he has a high forehead, wears thick spectacles, dresses casually, and exudes a scholarly air. It is known that he joined the CPC as early as 1947 while studying at Shanghai Jiaotong University and took part in leadership work in the underground student movement. After graduating in 1951, he stayed at the university to teach and served as a party and CYL leader. In 1952, he was selected for advanced studies in the Soviet Union where he earned an associate doctoral degree. He returned to China in 1956 and worked at Harbin Steamship Factory and, later, July 3 Research Institute, where he was successively chief designer, chief engineer, institute director, and deputy secretary of the CPC committee. In March 1983, he became secretary general of the Heilongjiang Provincial CPC Committee and a member of the standing committee. In February 1985, he was made a deputy secretary of the Heilongjiang Provincial CPC Committee and secretary of the Harbin Municipal CPC Committee.

Years of experience at the forefront of technical, professional, party, and government work have enabled him to see through some of the shortcomings of the old political system. Armed with a thorough understanding of the situation and on the basis of ideological and theoretical preparations, he proceeded to explore organizational reform and cadre personnel reforms with a group of people on the municipal committee in the last 2 years. In party-state separation, in particular, he has put together a set of systematic arrangements. While the changes have only been put in place recently, they have begun to pay off and touched off intense reactions. After catching wind of this, we made a special trip to Harbin in the depth of winter to interview him. Li Genshen found time in his busy schedule to answer our questions.

Question: Some comrades believe that after party-state separation, the former will lose its control over human, material, and financial resources and party leadership will be weakened. Based on your experience, has party leadership really been weakened or strengthened following party-state separation?

Answer: It depends on how you interpret party leadership. If it means direct control over and management of human, financial, and material resources, then the party's power has weakened. But I think we should have



a standard with which to measure the strengthening of party leadership. Party leadership does not manifest itself in the management of detailed matters, whether big or small. Party leadership is determined by the nature of the party and its functions. Only when we understand the party's nature and functions correctly can we tell whether party leadership has strengthened or weakened in the wake of party-state separation.

Party nature can be summed up in two statements: the vanguard of the proletariat and the leadership core of the socialist cause. The party's nature determines that it discharges these functions: first, exercise political leadership, in other words, leadership over major policies and principles; second, strengthen the party's own construction; and third, conduct detailed in-depth mass work, lead the masses, raise their ideological consciousness, and improve their quality.

Whether party leadership has strengthened depends on whether the three functions have strengthened. Political leadership is high-level leadership. If it gets bogged down in routines, political leadership cannot be exercised properly. As far as the CPC committee in an enterprise is concerned, political leadership means to guarantee and supervise. Do not make light of the words "guarantee and supervise." It is not easy. To do it well, we must first have a firm grasp of party policies and principles. Second, we must understand the realities in the unit. There is much one can do here. As far as the municipal CPC committee is concerned, it must rise above routine details, further its study, and delve deeply into realities if it is to do a good job here. The party's self-construction is a very important piece of work too. If it does not succeed in self-construction, where would its fighting spirit come from? How can it even begin to talk about party leadership? As for mass work, that is something that cannot be ignored if party leadership is to be realized. These were exactly the three areas where our work was relatively weak in the past when party organizations were entangled in matters outside their jurisdiction, exercising power that belonged to state organs, administrative organizations, and economic organizations and engaging in direct management and operations. After party-state separation, party organizations have freed themselves from routines, saving more energy to do the work within their jurisdiction. Naturally, party leadership has gotten much stronger.

**Question:** There are reports that because of party-state separation, political cadres in some places have experienced ideological instability. Has this occurred in Harbin? How do you make them better able to cope?

**Answer:** Party-state separation naturally impacts political cadres' thinking. In general, ideological problems are found in long-time political cadres, not those who are young and have professional knowledge.

To begin with, it must be made clear that after party-state separation, the standard of party leadership has gone up, not down. Thus there is a continuous strong demand for a host of outstanding cadres to do party work at all levels, people who have a high standard of ideological theory, understand party policies, and are adept at uniting comrades. Certainly after party-state separation, party organizations must be streamlined and some political cadres must go into other trades, which is no problem for the former group, many of them actually willing to do so. The latter group has been in political work for so many years that they have become unfamiliar with or lost their professional skills. A majority of them are among the more outstanding cadres in our party. For years they have been doing political work conscientiously and now find it hard to ideologically reconcile themselves to the idea of changing jobs or adapt to party work in the new era suddenly. That is understandable.

About these comrades, we must first take pains to do a good ideological job by explaining to them the purpose and significance of party-state separation and help them revamp their ideas formed when party and state were fused. We must help them correctly consider and handle the situation and the problems facing them.

Second, in the course of organizational restructuring, we must go out of our way to find jobs for these comrades. Those who can switch to other lines of work should be allowed to choose a job that they can handle and adapt to in a short time. Those with no transferable skills should be offered some kind of special training to prepare them for their new positions. As for comrades who should continue to work within the party, we should help them set their minds on their work, further their studies, and refashion their thinking to meet the needs of party work in the new era. What we have done earlier proves that the overwhelming majority of political cadres are conscientious and mindful of the general interest. As long as we do ideological work well and place them in jobs carefully, the rank-and-file political cadre will take part in reform enthusiastically.

**Question:** What conceptual changes should people make to deal with party-state separation?

**Answer:** Our thinking is determined by social existence. Influenced by the old system, people undoubtedly have developed some rigid, obsolete, and even mistaken ideas. If we stick to these worn-out ideas in the new era of party-state separation, the progress of reform will inevitably be impeded. Thus to come to terms with reform, people must overhaul their thinking in a major way.

In my opinion, the following concepts must be changed. First, the notion that party leadership means grappling with detailed matters. It must be realized that the party's function is to exercise leadership at a high level, strengthen leadership in politics, in principle, and in

political direction, and decide major issues. To perfect its own organizational, propaganda, and educational work and mobilize its entire membership to play an exemplary vanguard role. To do a good job in mass work, unleash the people's initiative, and guide them toward contributing to socialist construction. It is not the party's business to directly manage all kinds of detailed affairs. If this concept is not changed, the party will end up not doing what it should do, much like "farming other people's fields and neglecting one's own." Second, the emphasis on the power over human, material, and financial resources and the neglect of mass work. Mass work should be a critical piece of work in our party. In the war years, it was none other than mass work which enabled the party to build itself up from very small beginnings. At the time, mass work was painstakingly done. I was working in the underground in Shanghai and experienced it profoundly. On the eve of liberation, there were not too many underground party members at Shanghai Jiaotong University, but we were meticulous in our mass work, even mobilizing numerous young men and women of upper-class origins to join the progressive activities of all sorts of social organizations. Many even joined the underground party and league and helped pave the way for Shanghai's liberation. Today, because of some people's penchant for grabbing power over human, material, and financial resources, mass work, which has such a long tradition in the party, has been overlooked and become very weak. After party-state separation, this concept must be turned around. Related to it is the notion that ideological and political work must be handled by people specially put in charge of it. So-called ideological and political work is people work and mass work. It is arduous and painstaking work. How can we do it well if we only assign a few individuals to it? So, that idea must be changed. Following party-state separation, ideological and political work should be undertaken by the whole party, by all the cadres in the party, by all party members, with the party organization as the core and enlisting more key members to do it, particularly those in administration, trade unions, and the league. It is certain, therefore, that the work can be even better done. Also in for revision is the idea that party leadership means putting the party secretary in charge and giving him the final say in everything. If the party committee and party secretary have the final say in everything, big and small, that would effectively put them in charge of everything. Then what is the point of having departments to carry out detailed management? If they get bogged down in administrative routines, how could they find the time to tackle the party's own work? If that comes to pass, the party would in effect be weakened. Thus the notion of letting the party secretary have the final say in everything must absolutely be changed.

**Question:** Has party-state separation in Harbin encountered any resistance? Does it come from problems of ideological understanding? Or from practical issues?

**Answer:** Any reform is bound to run into resistance. Party-state separation is a key part of political structural

reform and naturally encounters some resistance. As far as the resistance we have come across is concerned, most of it concerns ideological understanding and only a small part has to do with practical issues. Some comrades are so used to the old way and so wedded to deep-seated concepts that they feel resentful about party-state separation. Thus when we carried out the factory director responsibility system and abolished the bureau CPC Committee in government departments, we ran up against stiff ideological resistance. The only way to overcome such resistance is to reason things out through patient, painstaking, and persuasive educational work. Essentially what we have done is to explain repeatedly the major hows and whys to the broad ranks of cadres in all sorts of ways on any number of occasions to make everybody understand the need for party-state separation. Accordingly, we organized study classes and convened symposiums where cadres studied Comrade Deng Xiaoping's writings on political structural reform and discussed them in light of the real situation. We also talked about our own experiences and understanding and engaged in a dialogue with the cadres. At first a number of political cadres in the enterprises were not convinced of the need for party-state separation. Through the activities mentioned above and by explaining to them the reason, we succeeded in bringing them round to our point of view. They turned out to be firm supporters of party-state separation in practice.

Of course, it should be noted that we cannot overcome resistance on the level of ideology and understanding overnight. It is a gradual process to change a person's thinking and feelings. Thus we must work painstakingly and allow people to revamp their thinking and make adjustments gradually. But work cannot wait. The standard and direction of party-state separation must be put forward unequivocally.

Also, we should take tangible policy measures to reduce resistance, enhance cadres' ideological coping ability, and solve practical difficulties as well. It should be recognized that party-state separation has led to changes in certain cadres' jobs and status and hence their income. Practical issues like this must be dealt with cautiously. In the course of party-state separation, we have taken a number of targeted steps to solve these problems. After being placed in new jobs, veteran comrades who have been in political work for years continue to draw the same salary as in the past. Young comrades who had to be transferred were given new assignments. But before they took up their new jobs, they were all given training to acquire a skill and to adapt to their new work. There are other measures as well, all intended to solve the practical problems resulting from party-state separation. If these problems are resolved satisfactorily, resistance will naturally disappear and party-state separation, a profoundly significant piece of reform, will proceed smoothly.

### Characteristics of Party-State Separation in Harbin

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[Article by Qin Tangren [4440 0781 0088]: "Harbin's Remarkable Achievements In Party-State Separation"]

[Text] Nineteen eighty-seven was a remarkable year for the ice city, Harbin. It was in that year that the reform of party-state separation got under way across the board in the entire city, its unique achievements as dazzling as the ice lamp.

Treading on the accumulated snow, a bitterly cold wind blowing in their faces, group after group of pilgrims from all over the country felt inspired by the wave of reform fever sweeping the ice city. In party organs and government departments, on the streets, in factories and enterprises, they listened carefully to the details of every single piece of reform. They asked many thought-provoking questions: Why is there such a high degree of consensus among party secretaries at all levels in Harbin? Why has such a complex piece of reform been able to proceed so smoothly?

As out-of-town comrades were pondering, the people of ice city were also trying to draw a conclusion. It was this: be firm in one theory's, brave in one's reform, and scientific in organization. These three characteristics are exactly what distinguishes party-state separation in Harbin.

#### An 'Ideological Soaking Rain' Builds 'Climate'

Before party and state could be separated, ideas need to be changed. To do that, we need theoretical guidance. In the words of Harbin comrades, we need a theoretical "soaking rain" to build an "ideological climate."

It was in 1987 that Harbin unveiled its political structural reform plan, the centerpiece of which was party-state separation. It was also in 1987 that party and government cadres at all levels went all out to study theory and overhaul their ideas.

To a group of leading cadres in Harbin, the lesson they learned at the Jiangbei Conference is unforgettable. The weather in the ice city was then turning cold again after suddenly getting warmer. A sign was out on a small house in Jiangbei Taiyangdao: Do not disturb. Presided over by leading comrades on the municipal CPC committee and attended by a total of 77 people including secretaries of bureau CPC committees directly under the municipality, secretaries of district CPC committees, and secretaries of CPC committees in large factories, a theoretical seminar went under way. Everybody sat down and concentrated on studying "The Reform of Party and State Leadership System" by Deng Xiaoping. They pored over every single word, every phrase. They took pains to grasp the ruling party's nature, mission,

role, and functions at a high theoretical level, appreciate the necessity and urgency of party-state separation, and clarify the philosophy of reform. Drawing on their personal experience as party secretary, they either wrote papers or put forward their opinions. Leaders of the municipal CPC committee joined them in voicing their ideas, including doubts and worries. By pooling everybody's wisdom, they came up with many valuable and sound suggestions. These papers and suggestions have not only enriched the thinking of the Harbin Municipal CPC Committee concerning party-state separation, but have also elevated our theoretical level and reinforced our confidence in reform.

After the municipal CPC committee set the new trend in studying theory, a theory-study fever swept through all party and government organs in the city. The Propaganda Department of the municipal CPC committee invited social scientists and professors to compile theoretical study materials on various special topics and organized eight study classes for bureau-level leading cadres and four training courses for key theoretical cadres, training over 700 people in all. Seven bureau CPC committees organized a total of 61 classes attended by as many as 4,450 cadres. Seven district CPC committees and their counterparts in various large and medium-sized enterprises also ran their own theoretical study classes, setting the stage for a change in thinking.

As a reform leader, Secretary Li Genahen of the Harbin Municipal CPC Committee not only studies theory in depth, but also has the courage to be a "theoretical propagandist." He never misses a single opportunity for propaganda. Time after time he expounds on the party's nature and mission, its present state of construction, and the need for and profound significance of party-state separation. Because he "says what he thinks," his presentations are vivid and concrete as well as theoretical. Thus what he says goes deep into people's hearts and minds.

Two years ago the municipal CPC committee and municipal government reshuffled and selected hundreds of leading party and government cadres in bureaus and districts. Owing to their higher political, theoretical, and educational standards and strong pioneering spirit, not only do they thoroughly understand the municipal CPC committee's blueprint for political structural reform, but they also are adept at applying it in their own units.

Once they came to accept and adopt theory as their guide for action, vast numbers of cadres displayed an unshakable firmness in party-state separation. In April 1987, at a time when some people still harbored all sorts of misgivings about political structural reform, the Harbin Municipal CPC Committee acted after 6 months of studies and investigations by formally issuing a circular to the entire city, which outlined an overall plan for political structural reform. The centerpiece of that plan was party-state separation. With support from the central leading comrades, they launched the reform in July



1987. After the 13th Party Congress, all rank-and-file cadres in Harbin studied the Party Congress documents in earnest and clarified their reform direction, in the process taking party-state separation one step further.

**Forge Ahead Courageously and Steadily To Generate 'Momentum'**

Comrades on the Harbin Municipal CPC Committee said, "By separating party from state, the party is 'operating' on its own inadaptability, using its knife to cut its 'handle.'" It takes courage, insight, and persistence to do that.

The courage and insight of Harbin Municipal CPC Committee came from theory and practice as well as a sober analysis of reality.

In early 1985, Party Secretary Li Genshen and Deputy Secretary Gong Benyan [1362 2609 6056], who was also mayor, took office determined to do "something practical for the people" and not be deterred by the fear of "losing their jobs." They launched a large-scale "three-in-one" reform in the entire municipality, which combined cadre reforms, functional redistribution, and organizational restructuring. At the time opposition was fierce indeed. But placing themselves at the head of broad ranks of cadres and relying closely on the masses, they shuffled personnel in 100 departments directly under the municipality, streamlined overlapping administrative organizations within the government machinery, reorganized cadres, redefined their functions and responsibilities, and carried out a fixed tenure system for cadres and goal-oriented responsibility system across the board. They gave departments a new look and, within 2 years, chalked up achievements recognized by all citizens. Reform came to be embraced by yet more people.

**Having Taken the First Step and Now Bursting With Pride, They Moved on to Move During Pursuits in Party-State Separation.**

While aware of the arduous nature of this piece of reform, the Harbin Municipal CPC Committee believed that the large number of outstanding cadres now concentrated in party committees were the driving force of reform. They must be relied on and trusted. They should be the practitioners and explorers of reform. So long as work is careful, meticulous, and steady, reform would not cause trouble as some people fear.

Pilot projects in party-state separation were successively carried out in 40 enterprises on 7 streets in 1 district. Pilot project guidance groups were also set up at CPC committees at various levels to gradually build up experience. Subsequently reform was launched all round in the work system of the urban (bureau) neighborhood CPC committees, generating a reform momentum that was municipality-wide.

This reform proceeded better and faster than expected. It took merely 1 month to basically complete job allocation for the 100 cadres affected by organizational restructuring. The transfer of the management of the party organizations of 783 enterprises and institutions under the municipality or a district to the locality where they were located also was completed within just 8 months.

**Implement Reform Scientifically in a Coordinated Way**

The reform of party-state separation is a piece of "systems engineering." Everything must be carefully thought out, including job allocation for individual cadres. Harbin paid a good deal of attention to coordination, vertical as well as horizontal. Everything was made to fit in closely with everything else and was carried out step by step, level after level.

Simultaneous reform, from the top down and from the bottom up, was carried out in the party at the municipal, district (bureau), and neighborhood levels to make sure that no one level would fail to keep up with the rest, thereby affecting the overall situation. A three-in-one reform was implemented. First, jobs were analyzed and reorganized. Then organizational setup and establishment were determined, which was accompanied by cadre reforms. Efforts were made to avoid relapses in organizational reform and a drift into formalism.

In their work to adjust and exchange cadres, they were careful to utilize qualified personnel properly, on the one hand, and reorganize the cadre structure, on the other, taking appropriate coordinated measures. For instance, in transferring cadres to districts and neighborhoods, they abided by the principle of selecting the best. As a rule, those selected must be under 45, have post-secondary qualifications, and must be key members in their units. When a cadre must be transferred from a more senior position to a lower level because of organizational changes and limited openings, he would be paid the same salary and other benefits that went with his old job provided this was approved by the appointing and removing departments. A cadre approaching retirement age who was sick or in poor health might apply for early retirement and would continue to be paid the same amount as in his old job. The Harbin Municipal CPC Committee convened a cadre exchange coordination conference so that supply and demand units could meet face to face, creating a favorable climate where jobs could choose cadres. These measures made for ideological stability among cadres and turned them into enthusiastic reform supporters.

The Harbin Municipal CPC Committee was also very conscious of the scientific nature of the sequence of reform procedures. In transferring the management of the party organizations of institutions and enterprises to the locality concerned, it stipulated that before they were abolished, the CPC committees of the bureaus in charge must finish all preparations for the transfer to the party

organizations of the locality. At the same time, it reinforced the ranks of leadership on district and neighborhood CPC committees to adapt to the new situation where management rests with the locality concerned. In practical terms, it first transferred the party organizations of enterprises and institutions under the districts, followed by those under the municipality. Because it was coherently and scientifically put together, this piece of reform, which covered the entire municipality, was completed successfully without a hitch.

**Functional Reorganization Said More Efficient**  
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No 6, 8 Feb 88 pp 9-10

[Article by Xiao Feng (5135 2800): "Party-State Separation Has Made The Party More Efficient"]

[Text] Like a "comb," party-state separation and functional reorganization smooth out the snags existent in the past when party and state were fused. With party and state organs each doing their own thing, everything is neat and orderly. The pace of work is picking up and work efficiency is rising. Such was the profoundly refreshing impression this reporter got during a visit to party and state organs in Harbin.

The biggest changes have occurred in the two "leading organs," the Harbin Municipal CPC Committee and the mayor's general council.

In early December 1987, I called on the party secretary and saw this on the blackboard that recorded his weekly activities: 8th, all day, democratic consultative conference; 9th, afternoon, old cadres' conference; 10th, morning, structural reform meeting; afternoon, mass organizations meeting; 11th, districts and counties meeting; 12th, symposium for democratic personages. The party secretary may be going to too many meetings, but we can generally see that he is operating within his new jurisdictional limits.

Referring to changes on the standing committee of the Harbin Municipal CPC Committee, Party Secretary Li Genshen recalled that when he first assumed office, the standing committee was "taking care of too many things": seating, winter transportation and communications, food, housing. Reports to the party congress included such things as the number of trees planted and toilets fixed. The government work report, in contrast, was more difficult to write. Now all that has been handed over to the government. Meetings also are called less frequently. Overall he feels much more relieved.

According to statistics from the secretary of the standing committee of the Harbin Municipal CPC Committee, the standing committee met 58 times between January and October 1985, only 30 percent of the time to consider party affairs. Between January and October 1987, the standing committee met 31 times, 60 percent of the time to consider party affairs. While the number of

meetings dropped almost one half, the committee doubled the proportion of meetings it devoted to party affairs. It convened five meetings in all to study political structural reform alone, put forward a plan promptly, and worked out a variety of policies to ensure the sound development of political structural reform in the entire municipality.

As a form of inertia, however, habits die hard. Some of the municipal government departments concerned now and then still pass the buck on some issues, as in the past. Either they cannot make up their minds on matters they are responsible for, hoping that the municipal CPC committee would give them a cue or, out of deference to the municipal CPC committee, they revive "traditional topics" that have already been considered by the standing committee of the municipal CPC committee. The leadership of the municipal CPC committee firmly steers clear of matters which it should not handle under its new jurisdiction in order to avoid "clashing" with the standing committee. Moreover, it never comments on matters that belong to the municipal government so as to reduce "attraction."

That way, the standing committee of the municipal CPC committee has had more time to consider and tackle major issues and elevate the tone of leadership. There is a division of labor among the 10 members on the municipal committee. As far as fronts that overlap with those in the government are concerned, there is division of labor but not of responsibility. Essentially what they do is to intensify their studies, delve deeply into realities, and conduct investigations and research. They believe that without a good knowledge of the overall picture on the various fronts and in the municipality and a clear understanding of the major policies and principles, one cannot even begin to talk about exercising the party's political leadership. As a result, there is a keener desire to learn among standing committee members and a climate that encourages investigations and research has begun to take shape. On important municipality-wide issues, the standing committee limits itself to putting forward a work outline and organizing all sectors to implement the resultant policy. They have now come up with a work outline for the Harbin Municipal CPC Committee for 1988. After the government put forward the municipality's economic development objectives and major policies, the municipal CPC committee convened standing committee meetings and organized sessions by the people's congress and Chinese People's Political Consultative Conference [CPPCC] to consider and review them in detail. After decisions were made, it mobilized and coordinated all quarters to make sure "everybody is singing the same tune and doing the same thing" and prevent the party and state from acting at cross purposes.

In the wake of functional reorganization, many political functions were returned to the municipal government and "semi-government" became a "whole government." This requires that the government adapts itself to the

new situation of party-state separation, augments its functions, and makes decisions and handles matters independently. Mayor Gong Benyan [1362 2609 6056] has lost no time in setting forth these reform objectives—large capacity, quick pace, high efficiency, and stringent requirements.

The municipal government began by reforming the meeting system, putting an end to the old meeting habits: letting a meeting discuss everything and go on too long, people sitting in on meetings and not contributing anything, all talk and no decisions, finger-pointing, and buck-passing. Now it has created a hierarchy of meetings—municipal government plenary meetings, routine meetings, mayor's business meetings, and coordination meetings. When the need for coordination arises among bureaus, commissions, and offices, the vice mayor in charge, the secretary general, or the deputy secretary general should first try his hand at liaison and coordination. Most conflicts and problems should be resolved at this level—coordination meetings—only. Failing a solution at this level, a problem should be tackled by the mayor's business meeting, which is attended by the mayor and some vice mayors. Important issues should be decided upon by the municipal government's semi-monthly routine meeting. When submitting an issue for consideration by the municipal government's routine meeting, the agency concerned should limit its accompanying report to 3,000 characters, which must be printed and distributed before the meeting and not read at the meeting. In addition, the agency should submit at least two verified plans. When a routine meeting is called to discuss an issue affecting one department, leading comrades in other departments need not attend. The municipal government plenary meeting is held only once a year primarily to make plans of overall importance.

This kind of meeting hierarchy is consistent with a fact of life in a commodity economy, volatility. After a problem is identified, a decision can be quickly made and implemented. While this way of doing things makes the municipal government's secretary general and his deputy appear very busy, they say, "We are busy because we want to free the mayor and vice mayors to do more practical things."

The municipal government too has worked hard to reorganize functions and improve its macro control and macro decision-making abilities. To introduce the rule of law into the city, the government has devoted one third of its routine meetings to the formulation of laws and regulations. In 1987, it drew up 35 administrative laws and regulations in all, which have played an important part in the citizen's life. The mayors have stepped up studies on matters affecting the overall situation. Mayor Gong Benyan spent 50 days in the second half of 1987 visiting over 30 units and prepared a factual, statistical, and analytical findings report on the city's four hidden dangers (river embankments, dangerous sheds, major inflammable and explosive sites, and obsolete grain and oil processing enterprises) and one potential crisis

(falling groundwater level). With support from the pertinent central departments, he drew up a plan to eliminate these conditions gradually year by year. He also led district leaders in examining problems in the entire municipality's infrastructure and urban construction. While the municipal government worked out the relevant policies, strengthened leadership, and centralized planning, construction and management were the responsibilities of each level. That way the enthusiasm of all segments was mobilized.

This reporter noted that after party-state separation, not only has the municipal government increased its work efficiency, but it has also organized leadership work more coherently. What a municipal government leader will do and what activities he will undertake in a particular week are all mimeographed on the agenda. Even the time and content of this interview were noted in detail on the agenda. I asked for some data. The workers concerned talked into the "intercom" and the material was delivered within a few minutes. A comrade from the general office of the municipal government told me that while on the road during one of his fact-finding tours, the mayor wanted to call an emergency meeting, so he informed the government organizations through the "intercom" in his car. By the time he came back, everyone was assembled and the meeting was able to begin immediately. Municipal government leaders have also prepared a first-front work schedule for snowy days and holidays so that leading comrades from the municipal government can rush to the site to take charge right away in an emergency.

How the "head of a dragon" moves determines how its "tail" wags. Party and state organs at all levels in Harbin analyze functions, work, and duties in earnest to determine positions and are moving toward a new setup, a new model, and a new order. Take, for instance, the propaganda department under the municipal CPC committee, whose functions have been "cut three ways." Its cultural bureau was put under the leadership and management of the municipal government. WENLIAN was allowed to function independently. The propaganda department only studies and executes the party's literary and cultural policies on behalf of the municipal CPC committee, recommends top leading cadres, and coordinates as necessary. Essentially it serves as an intermediary with news units, conveys the important spirit of the municipal CPC committee, makes arrangements for the reporting of major activities, and coordinates between various news units. Accordingly, the department was overhauled and staffing was cut from 40 to 28. While administrative affairs have been reduced, propaganda functions have been strengthened.

**Party Secretary Exploring New Path**  
40050181 Beijing LIAOWANG [OUTLOOK] in Chinese  
No 6, 8 Feb 88 pp 11-13

[Article by Zu Baiguang [4371 0130 0342]: "Party-State Separation in Enterprises"]



[Text] The Harbin Municipal CPC Committee, district CPC committees, and neighborhood CPC committees along with their counterparts in scores of enterprises and institutions have been discharging new functions under party-state separation.

This is a moving colorful portrait of our times. Party secretaries seem to be standing at a watershed in history where old ideas and institutions collide with new ones. Traditional habits, experiences, and feelings are being challenged, while new objectives call on people to explore, to innovate.

Full of confidence and courage, the first batch of party secretaries in Harbin have taken the first steady step.

#### **Uphold High Standards, Adapt to the New Situation**

At the very beginning of party-state separation, when the municipal CPC committee was unburdening itself of such administrative affairs as the handling of human, material, and financial resources, production, supply, and marketing, one could "catch sparrows on its doorstep," unlike the past when it was "as crowded as a marketplace." What a "deserted" scene! Even the few people that were around seemed more aloof.

Nevertheless, a large number of party secretaries in Harbin were optimistic about this. Deputy Secretary Zhang Caide [1728 2088 1795] of the municipal Mechanical and Metallurgical Bureau was left with only two cadres after the bureau CPC committee was abolished. He carried on as if nothing had happened and did not consider or worry about his own future. Instead, he continued to comply with the demands of the municipal CPC committee and did a good job in preparing for the transfer of the CPC committees of enterprises and institutions, setting himself high standards and correcting the slightest imperfections. Many people were deeply touched. He said, "Reform is tough in itself. We must not allow personal interests to get in the way of reform artificially."

This reporter visited the Harbin Steamship Factory, which has a work-force of 10,000 people. Secretary Wang Xiying [3769 0013 5391] of the CPC committee graduated from Harbin Industrial University and has been a deputy technical director and engineer at the factory. He could not forget how he felt as a deputy director. All power then was centralized in the hands of the party committee and secretary. The elderly secretary knew nothing about technology. Many times the director and deputy secretary had to explain a point to him slowly. Often decisions were held up for months. He said, "Much seemed to be going on, but actually efficiency was not high. Now, in contrast, party and government functions are separated and things get done at two ends: the factory director makes decisions promptly and the party secretary gets to tackle more party affairs." Since 1987, the CPC committee at this factory has devoted a lot of energy to coming to grips with education in party

spirit and party discipline and improving party members' caliber. In an innovative move, it has launched a system of qualitative and quantitative evaluation under which all 1,800 party members in the factory would be assessed at regular intervals. There are evaluation forms for written appraisals. That way, the party organization has become a better fighting bastion and party members a more effective exemplary vanguard. It was a beneficial experience for party construction municipality-wide.

#### **Changing 'Stimulant,' Searching for New Mechanisms**

Party committees' new functions have prompted party secretaries to redefine "excitement." No longer do they think about things like housing allocation, pay raises, and bonuses all day long, but how to create new mechanisms for party committee work as soon as possible.

An important function of a local CPC committee is policy-making on major local issues. Previously, however, a considerable number of local CPC committees did not have their own decision-making system, let alone know what decisions to make. This was a problem that all seven district CPC committees in the municipality looked into. It was made clear that short, medium- and long-range strategies, plans, and principles that impact the entire district should be decided upon by the district CPC committee. It had been 2 years since the Taiping District CPC Committee took the lead in formulating the district's Seventh 5-Year Plan. Because the district committee had been preoccupied with routine matters, the plan was shelved repeatedly. After party-state separation, Secretary Teng Zhaoxiang [3326 0340 4382] of the district CPC committee diligently enlisted experts and people from all segments to study the plan. Soon a plan was decided upon which gave the district government a "sense" of district-wide economic development work. After assuming office in September 1987, Secretary Gao Shuwen [7559 2885 2429] of the Daowei District CPC Committee led a "group of people" on the district committee in organizing a great district debate involving the People's Congress, CPPCC, government, democratic parties, and the masses. Everybody came up with ideas and strategies. The discussion lasted 1 and a half months, 48 units put forward plans, and over 1,000 valuable suggestions were collected. A concrete plan emerged from the summing-up and review of these suggestions and was examined by an array of experts, which further clarified the strategic focus and thrust of the development of neighborhood industries and a small construction industry.

In the wake of the implementation of the factory director responsibility system, the enterprise CPC committee switched from "centralized" leadership to guarantee and supervision. How are guarantee and supervision achieved? The Dongbei Light Alloy Processing Plant conducted an in-depth study and formulated 24 regulations on guarantee and supervision by party organizations, laying down clear provisions in terms of content, system, and method. Basically, supervision should be

stressed where factory decision-making is concerned, while guarantee should be stressed where implementation is concerned. Guarantee and supervision are effected through CPC committees at all levels acting collectively. Supervision without guarantee is negative supervision; guarantee without supervision is empty guarantee. Ensuring proper guarantee and supervision in advance is most important and effective. Guarantee and supervision must pervade throughout the entire policy-making process. They must concern themselves with principles and direction and not get bogged down in a particular administrative detail. They must not interfere with production and operations. Secretary Zhang Bingjun [1728 3521 6874] of the factory CPC committee, who is also a senior engineer, told this reporter, "Because we worked hard to standardize and institutionalize guarantee and supervision, there is relatively good coordination between the party, government, and trade union in the factory, which has helped the development of factory production and operations."

#### **Changing Old Concepts, Relying on the Majority**

The machinery of the CPC committee has been streamlined, the number of personnel has been cut, and administrative power has gone. How does the CPC committee go about stepping up ideological and political work?

Led by the municipal CPC committee and through studies, discussions, and debates, CPC committees at all levels have realized that in the course of reform and opening to the outside world, all sorts of ideas are flourishing, all kinds of interests are being adjusted, and new conflicts are appearing, which only enriches and diversifies the content of ideological work. In this new situation, the old practice of a handful of people taking on the ideological work of many is no longer applicable. We must rely on the majority of people in the party and society to do ideological work.

The municipal CPC committee demanded that organizationally the number of full-time political cadres in large and medium-sized enterprises be kept between 10 and 30.

Actually this was an attack on the mold of ideological work. But there was still some way to go before the attack materialized.

There were originally 46 people in the party organization in Harbin Rubber Plant. After streamlining, only six full-time cadres remained. Some people said, "Without even 'seven or eight guns,' how can we do ideological work?" Party Secretary Li Xinmin, [2621 1800 2404], however, was full of confidence. Under his leadership, the CPC committee set up an ideological work responsibility system where full-time political cadres, all party members, and administrative cadres serve as backbone. Under this system, the party secretary is responsible for the ideological work within the party in the factory, the factory director, for ideological work among all workers

in the factory. The deputy factory director tackles the front; the party branch, the part; and party members, each individual position. Thus everybody has ideological work to do and the rudiments of an ideological work network that is all encompassing, mobilizes every individual, and covers the whole process are now in place. Also, an evaluation system complete with rewards for the good and punishments for the poor has been created as an encouragement and an aid in inspection. Because everybody is involved in ideological work, ideological problems can be discovered and corrected in time. As a result, all factory workers have forged a closer unity revolving around the development of production and operations.

After a reduction in personnel in the party organization at the Harbin Building Materials Machinery Plant, which has just a little over 400 people, there was only one full-time cadre, the secretary of the general branch, Zhang Yingfan [1728 5281 2455]. But ideological work at the plant got off to an equally lively start. What Zhang Yingfan did was to rely mainly on the party branch and administrative cadres to conduct ideological work among the employees, while concentrating on organization, coordination, and management himself. Along with part-time general branch members, he has turned the factory director's tenure objective into a guarantee objective and regards the director's difficulties as the areas of concentration in party work. When the factory director "goes out to battle," he helps him clear the obstacles. When the factory director makes a decision, he acts as an adviser. When the factory director occasionally uses funds improperly, he helps correct him. Because of the reliance on the majority, the ideological work in this plant has actually become stronger, not weaker, after the cut in the number of full-time political workers.

#### **Tackling Party Affairs Painstakingly, Cultivating a New Image**

When the party organizations of the more than 1,000 enterprises and institutions under the districts and municipality were first turned over to the neighborhood CPC committees for local management, the public image of the work committee of the neighborhood CPC committee was not good. It was perceived as given to apportioning expenses, having errands run, and having too many meetings, and a wishy-washy workstyle. It also was seen as inefficient in its work.

A group of young, energetic neighborhood CPC committee secretaries, selected by the municipal CPC committee and district committees, mulled over the question of how to cultivate a new image for the CPC work committee in the neighborhood.

Based on the work regulations for neighborhood CPC committees drawn up by the municipal CPC committee, they proposed that the neighborhood CPC work committee relieve itself of office routines, pay more attention to party affairs, refrain from interfering in government affairs, and provide good services.

As soon as Secretary Wang Jiuchun [3769 0046 4783] of the Jingyu Neighborhood CPC Committee in Daowei District arrived at the party branch of the Yongfahuo Joint Operations Company, which had just been transferred to that neighborhood CPC committee, comrades at the party branch made no secret of their feelings. "Another 'meddler,'" they said. Wang Jiuchun replied, "Not another 'meddler,' but another 'piece of rope.' If you were a cart, I would haul you. If you were a boat, I would be your boat tracker." His sincere words moved everybody deeply. Henceforth he was often seen visiting the units in the 0.6 square kilometer territory to do ideological work. In just 4 days he visited each and every single one of the 13 municipal enterprises that had just been turned over.

Such are the painstaking services of the secretaries of neighborhood CPC committees. In fair weather and foul, many secretaries make their rounds on bicycle among the units in the territory, visiting them once every 3 to 5 days and getting to know the ideological state of the party branches, party members, and the masses, and solve various ideological problems in time. They help the basic level organize party membership training classes where party lectures are given and theories studied to improve party members' quality. They engage in heart-to-heart talks with active elements who have been applying to join the party for years and encourage them to improve themselves, making those people feel as if the party were by their side. Secretaries of neighborhood CPC committees who are familiar with factory conditions even go to enterprises to give lectures on leasing, contracting, production, and operations and answer all kinds of questions from party members and the masses. They make it clear to the enterprises and institutions under local management that they would observe these simple rules—no getting things done through "pull," no apportioning of expenses, and no interfering in administrative affairs.

To adapt to the new situation, the neighborhood CPC committees have worked hard to change their methods of operations and work. As a rule, they do not issue documents. On the few occasions that they do, the document is delivered by workers of the neighborhood CPC committee in order to save the time of the party organizations in enterprises and institutions. They are careful to cut down on the number of meetings and to make them short. Some hotels and bathhouses are so busy during the day that the party organization must meet at night. The neighborhood CPC committee members then give up their time of rest and attend the meetings in the evening.

The good thinking and good style of neighborhood CPC committees have added luster to the important reform of local management. They have earned the trust of local units. Some say that they were merely being "offered a ride" in the past when they were run by a multitude of CPC committees (meaning that those CPC committees handled party affairs only in passing). Now that the

neighborhood CPC committee is in charge, they say, they are riding a special car (meaning that the neighborhood CPC committee concentrates on party affairs). Party work has gotten better. Some also say, "At the beginning of the transfer to the neighborhood CPC committee, we were not sure it would manage us well. Little did we imagine that the neighborhood CPC committee has such high standards."

The neighborhood CPC committee's new image is boosting the drive to revive basic-level party organizations.

### Political Cadres Defended

40050181 Beijing LIAOWANG [OUTLOOK] in Chinese  
No 6, 8 Feb 88 p 13

[Article by Hu Quan [5170 3123]: "Do Not Dismiss the Achievements of Political Cadres"]

[Text] Exciting news has been coming from Harbin, the key northern city. With a population approaching 4 million, that large city has brought about a preliminary form of party-state separation in municipal organs and in organs under the municipality at all levels. This piece of complex and arduous reform has been proceeding very smoothly. One third of the cadres in the municipal CPC committee had to change jobs, but not one of them refused to take the new position allocated. Throughout the municipality, people's minds are at rest and work goes on normally. Both reform and construction have been highly effective. The message to us is that party-state separation is entirely consistent with the objective requirements of China's reform and construction. Logically, the Harbin Municipal CPC Committee works meticulously. We also can see that vast numbers of cadres on the Harbin Municipal CPC Committee and in party organizations at all levels have a high degree of political consciousness. They bear the cardinal principles in mind and take the overall situation into account. They plunge into the great cause of reform enthusiastically and prove to be the driving force of political structural reform.

Comrades who work in departments under the CPC committee at all levels are usually called political cadres. The task of political structural reform put forward by the 13th Party Congress is supported by the whole party and the entire populace. However, some comrades fail to distinguish between the shortcomings of the past political system and political cadres' work and blame political cadres for the problems created by the old political system, even the "leftist" mistakes of the past. The cadres are satirized and mocked as if they were only good at making empty talk, not doing practical things, as if they symbolized the existence of the old system and the resistance to the birth of the new. Political structural reform purportedly targets them and will get rid of them. These ideas and perceptions are clearly both wrong and unfair.



Most of our political cadres were selected from among outstanding elements. They have supported the party's line, principles, and policies since the 3d Plenum of the 11th CPC Central Committee. They have fairly high ideological and theoretical standards, a good knowledge of policies, and considerable political accomplishments. The old political system is a creature of historical circumstances, not the responsibility of political cadres. On the contrary, like administrative cadres, professional cadres, technical cadres, and managerial cadres, political cadres are indispensable to the party's and people's cause and should enjoy the love and esteem of the party and the people.

The traditional political system is ridden with all manner of flaws and must be overhauled. But this is not to say that the work of political cadres under the old system was devoid of achievements. On the contrary, they have done much difficult and painstaking ideological and political work, propagandized the party's line since the 3d Plenum of the 11th CPC Central Committee diligently, reversed unjust verdicts assiduously, and implemented a variety of policies. They have contributed to the unification of ideological understanding, the mobilization of positive factors, the preservation of stability and unity, and the promotion of reform and opening to the outside world. We may say that all the nation's glorious achievements contain the fruit of political cadres' painstaking labor.

We must analyze and evaluate political cadres' ideological and political work historically and objectively. We

must not behave as if their work has no saving graces just because of party-state separation. That would not be historically accurate. The party's cause requires political cadres. Ideological and political work is the party's cherished tradition and has played a vital role whether in the war years or today. In restructuring the political system, we must preserve the enthusiasm of political cadres carefully and further ideological and political work.

Party-state separation involves functional reorganization and departmental streamlining. Inevitably some political cadres must be transferred to other jobs. In making job-allocation arrangements for these comrades, we absolutely must not behave thoughtlessly as if they were a "burden to be cast off." Instead we must first revamp thinking and, on that basis, make proper arrangements so that each is given the right job which can make the most of his knowledge and abilities. This issue is pivotal to the success of party-state separation and other political structural reforms. The experience of Harbin, Shenyang, and other places proves that only an accurate and fair evaluation of political cadres and their work can make our actions completely acceptable and help us make proper arrangements for those cadres whose work has to be readjusted. This is an important condition for successful political structural reform and should be taken very seriously by leading cadres at all levels.

12581

Taiwan 'Softens' Policy Toward Communication With Mainland  
40050180 Beijing LIAOWANG [OUTLOOK] in Chinese  
No 11, 14 Mar 88 p 32

[Article by Xi Weixiong [1598 3837 7160]: "Taiwan Further Softens Its Policy of Restricting Communication With the Mainland"]

[Text] The "Procedure for Dealing With Travel to Mainland to Visit Relatives by the Staff members of the KMT" was approved by the KMT Central Standing Committee toward the end of February to permit party members and staff, including Li Huan [2621 3562], the Secretary General of the Central party, to travel to the mainland to visit relatives and some sightseeing. This constitutes a further relaxation by the Taiwan authorities in their policy toward the mainland since the ban on visiting mainland relatives by Taiwan residents was lifted last November.

Since then, more than 100,000 applications for permission to visit the mainland have been received in Taiwan and 20,000 visits have taken place. After the travel ban was removed and direct contact among residents of both sides of the channel increased, the people have become more eager than ever for possible economic, cultural, scientific, and technological exchanges. Public opinions in the island of Taiwan have also repeatedly urged the Taiwan authorities to allow economic, cultural, athletic, scientific, and technological interchanges between the peoples.

Prompted by the people, the Taiwan administration began to consider further relaxation of the various restrictions toward the mainland. It has been reported that the responsible Taiwan officials have openly expressed that its motion picture industry will soon be able to go to the continent to make movies and the Last Emperor, which was prohibited in Taiwan, will soon be shown in public there. Motion pictures and videotapes shot on the mainland by overseas moviemakers in recent years will also be acceptable there soon.

It has been said that while "a draft of the current party policy toward the mainland" was being considered at the responsible department of the KMT Central Committee,

the consensus was that under the premises of guaranteeing Taiwan's safety, movements and interchanges between the peoples of Taiwan the mainland should be regulated and open.

At a conference chaired by the Secretary-general of the KMT Central Committee, Li Huan, someone pointed out that interchanges between the peoples of both sides of the channel had become more active by the day and have extended to reach all social levels. The public in Taiwan demanded a relaxation of trade with the mainland. Merchandise transfers between the two shores of the channel have become a reality; therefore, policy relaxation should be considered. It was also said at the conference that during internationally organized athletic competitions scheduled to occur in Taiwan or the mainland, representatives of the mainland should be invited to attend or Taiwan athletes should be allowed to participate.

In recent months many Taiwan merchants have intensified capital investments in such Southeast Asian regions as Thailand, Hong Kong, etc. One Taiwan merchant mentioned that the purpose of these investments is to facilitate trade with the mainland. Some Taiwan merchants used visiting relatives as a cover to go to the mainland to explore the investment environment and some have directly negotiated trade deals. Some merchants have also asked foreign agents to evaluate mainland companies and to inquire about certain items. Taiwan's "Economic Minister" Li Dahai [2621 6671 3189] acknowledged also that the government in fact does not have the power to restrict merchandise transfer activities on the shores of the channel. He said the Economic Ministry of Taiwan is considering suitable expansion of raw materials transfer from the mainland to the Taiwan markets; the range of relaxation should be very great.

Judging from the condition in Taiwan in the past couple of months, the island authority has finalized its decision to soften restrictions toward the mainland still further. During the 13th Congress of the KMT to be held in the middle of 1988, a revision of the "mainland policy" will be a key item of discussion, reflected some high level KMT officials. There is no shift in the Taiwan administration with respect to basic problems between both shores of the channel, however. In a recent news conference, the "Three noes" policy of the KMT was reiterated by its "President" Li Denghui [2621 4098 6540].

6248

**Li Teng-hui's Knowledge of Foreign Affairs Hailed**

40050205c Taipei TZULI WANPAO in Chinese  
14 Feb 88 p 2

[Article by Correspondent Yeh Ling-fang (5509 0134 5364): "President Li's Observation of World Situation Minutely Detailed; More Than Equal To Future Policy Decision Making"]

[Text] Now that President Chiang has passed away, who will decide the country's major foreign policies?

It is generally acknowledged that it is more likely that President Li Teng-hui, rather than the "great power holding" presidential palace secretary Shen Ch'ang-huan [3088 2490 3562] will personally make decisions. It has been learned that when President Li Teng-hui was vice-president, he continuously invited various well-known, young and vigorous political scientists for chats to exchange views about the current international situation. At one time, he also intended to designate various major international political issues for study by Chinese scholars; however, this study plan could not be carried out because of President Chiang's death.

Information obtained about two meetings that President Li Teng-hui had with Professor Liu Pi-jung [0491 1801 2837] shows that Mr Li Teng-hui focused mostly on the two topics of mainland policies and the international situation. Liu Pi-jung said that "the depth and breadth of President Li's knowledge in these two regards was beyond my expectations."

One example was that when Mr Li Teng-hui talked about Soviet leader Gorbachev's "Vladivostok Talk" on 28 July 1986, he said, "Most people paid attention only to Gorbachev's peaceful posture, but very few paid attention to his reference to future development of Siberia." This shows that President Li Teng-hui has a real grasp of the current international situation.

Reportedly President Li Teng-hui spent between 1 and 2 hours with international political scientists, and discussions were on specialized topics. This correlates to the effort that President Li devotes regularly to international matters.

It has been learned that President Li has a strong interest in international negotiations. Not only has he met with Liu Pi-jung, a devoted Chinese student of international negotiations, but he also helped another scholar specializing in negotiations, Ch'iu Chao-lin [5941 0340 3829], to go abroad for further study along these lines.

Another scholar who has met with President Li, but who desires anonymity noted that though President Li has ordinarily said little directly about Taiwan's foreign

affairs, this may have been because of his position as vice-president. Nevertheless, his way of thinking about current international issues is a prerequisite for a foreign policy decision maker.

9432

**Qualifications of Li Teng-hui's Economic Advisors**

40050205a Taipei TZULI WANPAO in Chinese  
14 Feb 88 p 2

[Excerpts] Reportedly the president's current economic advisors are two men who were colleagues of President Li when he taught at the Economics Institute of Taiwan University during the early 1960's, and who now hold fairly senior positions in the economic and financial world. One of them is Liang Kuo-shu [2733 0948 2885], chairman of the board of the Changhua Bank, and the other is Ch'en Chao-nan [7115 2507 0589], a former director of the San Min Chu I Research Institute of the Central Research Academy. The former holds a doctorate in economics from Vanderbilt University in the United States. He is an expert on economic development and finance, and he is one of a small number of scholars in the country engaged in politics who is able to double in academic and practical matters. His background as deputy director of the Central Bank and as chairman of the board of the Commercial Bank has equipped him, no doubt, to become the person most able to understand the maladies existing in the country's financial development. Reportedly, Liang Kuo-shu was one of the principal architects of President Li's financial policy instructions of a few days ago.

Ch'en Chao-nan holds a doctorate in economics from the University of Chicago in the United States, and he is an expert in international economics and currency theory. Because he taught for a long time in Taiwan University's Economics Research Institute, and has also been adept at guiding young economists in economic research work, he now has a large following of regular academicians, all of whom are important in their own right. Reportedly, his greatest personal talent lies in an ability to make penetrating analyses. He is able to provide foresighted policy recommendations, and consequently he is an excellent choice as an economic assistant to the president. In fact, Ch'en Chao-nan already holds a formal position as economic advisor in the presidential palace.

9432

**Public Opinion Poll on Political, Economic, Social Prospects**

40050205b Taipei TZULI WANPAO in Chinese  
11 Feb 88 p 2

[Excerpts] An opinion poll conducted among corporate financial institutions by cultural and educational foundations showed the following results: Sixty percent of the



people interviewed were optimistic about political stability; 70 percent were optimistic about economic development; and 70 percent were also optimistic about social order over the next 6 months. However, the number of people who were optimistic about political stability during the next 2 years fell to 60 percent of those interviewed; 60 percent were optimistic about economic development; and only 50 percent were optimistic about social order. This poll was planned and directed jointly by scholars Lin Chia-ch'eng [2651 0857 6134], Hung Yung-chin [3163 3057 3141], Su Yung-chin [5685 3057 2953], Chu Yun-han [2612 7189 3352], and Ming Chucheng [2494 1446 2973]. Telephone interviews of people in the Taipei area were conducted from 4 through 9 February.

9432

**Panel Discusses Ways To Expand Trade Ties With Eastern Europe**  
40060203 Taipei CHING-CHI JIH-PAO in Chinese  
7 Mar 88 p 3

[Text] Transcript of the 355th triangular panel discussion. Host: Chiang Ping-k'un [3068 0014 0981] (secretary general of the China External Trade Development Council); discussants: Pao Yung-chien [7537 3057 1696] (general manager of the Ch'uan-lien International Co and Hu Ch'un-lei [5170 2504 7197] (member of the Council for Economic Planning and Development); participant: Liu Lang [0491 2597] (assistant editor in chief of this newspaper); transcriber: Liao Ch'ing-chou [1675 1987 3166] (reporter of this newspaper); photographs: Cheng Fu-yuan [6774 4395 3293] (reporter of this newspaper).

Chiang: There have been new developments in our direct trade with Eastern Europe, which we opened in 1979. What do you gentlemen think of these developments.

Pao: The Eastern bloc, which is comprised primarily of Warsaw Pact members, has organized COMECON, the Council for Mutual Economic Assistance, which was established before the EEC; involves more of the economic activities, including regional economic planning as well as trade, of member nations than does the EEC; and, in addition to nine nations from Eastern Europe, also includes Cuba and the Chinese Communists, as well as Vietnam and North Korea, which have recently begun to participate as observers.

Chiang: When we first permitted trade with Eastern Europe, only five nations were involved. Recently, there have been new developments, such that we can now directly trade with all of these nations, except for the Soviet Union and Albania.

**With a Population of 140 Million, Eastern Europe Has a Market Potential That Cannot Be Neglected**

Hu: The population of Eastern Europe totals 140 million, and the Soviet Union has 280 million people. The potential of these markets cannot be overlooked, and we should consider opening trade with the Soviet Union?.

Pao: As I understand it, we now indirectly import several tens of millions of dollars worth of raw materials from the Soviet Union.

Chiang: Our trade with these nations has developed gradually. When we first opened that trade, our exports to the region totalled only about \$20 million, and our imports were but \$40 million, for a total two-way trade of \$60 million, certainly a very low level. But that trade grew to \$120 million by 1986 and to \$260 million last year. The latter figure includes \$70 million in exports and \$190 million in imports, giving us a deficit in this trade.

**The Search for a Supply of Cheap Raw Materials Is Our Greatest Motive in Strengthening Trade and Economic Ties**

Pao: Last year, the things that were most dear were steel, chemicals, plastics and other raw materials. Fortunately, we had access to Eastern European supply and were able to import \$130 million worth of steel which, after processing, produced more than \$100 million in net exports for us. In addition, we were able to obtain chemicals and plastic through this trade, which helped complement domestic supply. Therefore, we can say that our trade deficit with Eastern Europe proves that imports from that region are very useful to us, much more useful than our products are to that region.

Hu: The main reason why the Eastern European market has become so popular is that we had once been overly dependent on the American market, which received 40 percent of our total exports in 1980 and as much as 48 percent in 1986. Because of our huge trade surplus with the U.S., the Americans put much pressure on us in economic negotiations, demanding that we revalue the New Taiwan dollar and that we find new trade partners, which we did, increasing the number to 130-some nations. And in recent years, the four little dragons of Asia, of which we are one, have shown spectacular economic vitality, which, quite naturally, has made other nations regard us in a positive light, rather than as backward, as was formerly the case.

Chiang: In their [East European] eyes, we are a very attractive partner, that is for sure. A question we have not discussed yet is how we should further relax restrictions on that trade. Last year, four delegations paid formal visits to Eastern Europe and issued reports upon their return. After reviewing these reports, the department in charge, the Vigorous Action Task Force, recently decided to accelerate liberalization of such areas as

currency exchange, telephone links, preferential duty rates, permitting imports of consumer goods and the like. Improvement has come much faster recently than in the past few years.

Hu: In the matter of visas, for example, it seems that Eastern Europe has never placed many restrictions on us, but when people from that region want to come here, they have to wait three weeks and find a guarantor before they are issued visas, and when they finally arrive their luggage is subjected to strict searches. These hassles naturally dampen their interest in trade with us.

#### **Currency Exchange Is Not a Problem, and Shipping Is Showing the Fastest Progress**

Pao: Visas and searches certainly do drive off potential partners and obstruct trade. The regulations we use today were drawn up way back in 1950 and clearly are obsolete. We should review and improve them all. As for currency exchange, that is not a major problem in actual practice. In the past, only the Bank of Taiwan was allowed to exchange currency, and not all companies needing this service were customers of the bank. This notwithstanding, they could go to other banks in the country or to banks in third nations to exchange money.

The policy on shipping is very enlightened, and East Germany, Hungary ... now have shipping agents in Taiwan. Clearly, the Ministry of Communications has decided that it is alright for people from regions with which we are prohibited from having direct ties to come here freely. Therefore, I believe that it would be very nice if other supervising units would take a page from that ministry's book and speed up their liberalization moves.

Chiang: I think things would be fine if those units would just treat this trade and Eastern European markets like any other. For example, an issue everyone is concerned about as we deliberate opening our markets to consumer goods from this region is whether or not to list certain goods on the list of goods we will not trade in. I think these imports should be handled according to normal procedures.

Hu: As a matter of fact, most of the goods we import from Eastern Europe are raw materials, machinery and equipment. And heavy duties on these goods would adversely affect the development of our industry and the competitiveness of our goods abroad. This is something that merits review and improvement.

Chiang: We should adopt the principle of mutual benefit in the matter of customs duties. We used to treat Eastern Europe as "unfriendly" and thus maintain higher duties on imports from that region. Since we are relaxing restrictions on trade with the region, we ought to reexamine duty rates, too.

Liu: What units are in charge of policy on trade with Eastern Europe? How much authority do these units have?

Chiang: When trade with the region was opened, ties were restricted to trade alone. But in fact trade, as it grew, began to involve currency exchange, shipping routes, visas ... and the like. The Vigorous Action Task Force possesses the highest decision-making authority and executes all policy with respect to these areas.

Pao: In the early days, that unit used to be called the Anti-Bandit Economic Warfare Team; the name was changed to the present one in 1967.

Chiang: Since we opened trade with Eastern Europe, the Board of Foreign Trade has played a more clearly defined role in the drafting of business procedures governing the trade aspects of our ties with the region. As that trade develops, the Task Force will go along with this trend, and thus we can expect that future business dealings will be much simpler. Some issues we still have to consider include whether to allow in tourists and whether to set up a trade office. To date we still have not had a clear plan regarding these issues. Nevertheless, we can apply what we've learned from our experience in Vienna, Austria to our dealings with the countries of Eastern Europe. This experience is after all one point of reference we can make use of.

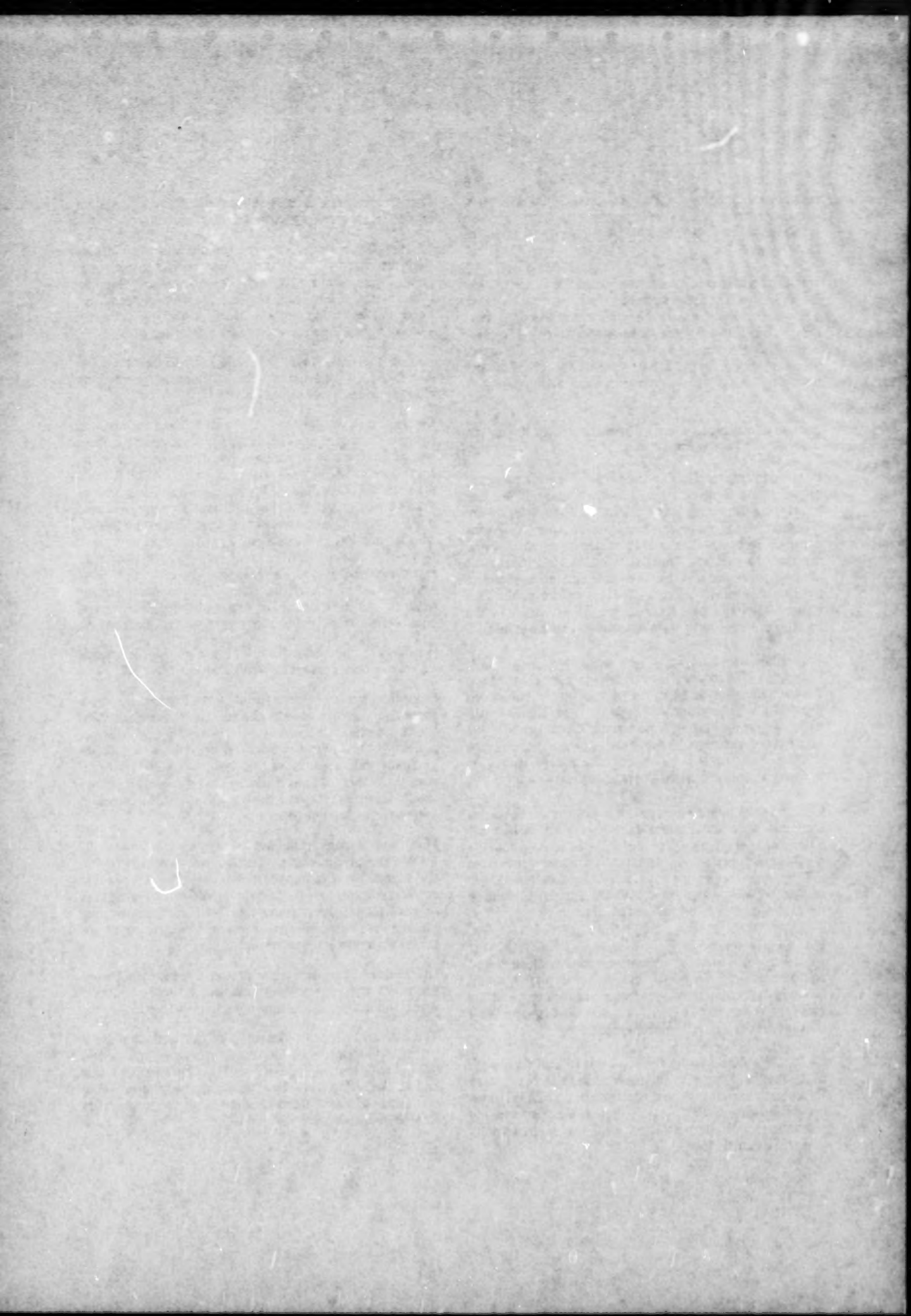
#### **[Postscript] The Major Points: How Can We Strengthen Economic and Trade Ties With Eastern Europe?**

Since the opening of direct trade with Eastern Europe 8 years ago, our ties have expanded from five nations to the entire region, excluding Soviet Russia and Albania, and the volume of our two-way trade with the region has gradually increased. Now that both sides are trying to strengthen this trade and to diversify their markets, we should take advantage of the opportunity thus provided and strive to expand these ties.

Most of our imports from Eastern Europe are raw materials, machinery and equipment, which facilitate industrialization and strengthening of our competitiveness. Thus we should consider granting the other side preferential duty rates, so as to make the relationship mutually beneficial, and treating the consumer manufactures we import from that region the same way we do other such goods.

Our Eastern European trade partners are greatly inconvenienced by our immigrations and customs controls, which therefore require appropriate revision.

The Eastern European market is unique and should not be treated according to the usual practices employed in dealing with markets in the Free World. Trade with this region can effectively be developed only when it is planned and coordinated by the China External Trade Development Council.





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